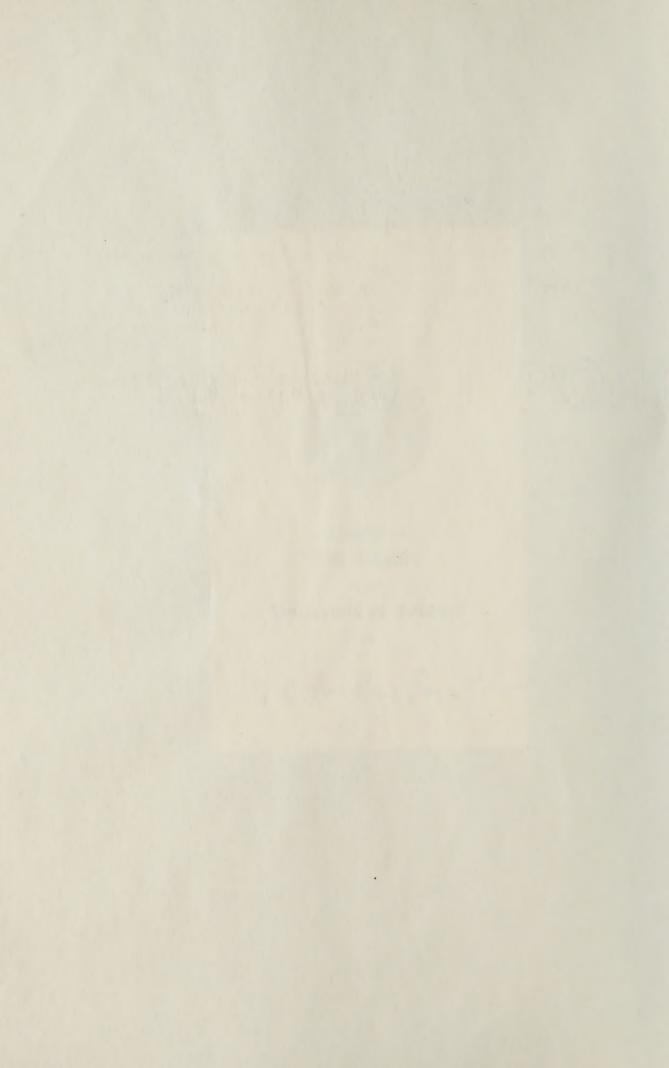




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## PARTI

# INTRODUCTION

PAGE DI	ON HE CAN SECRETAL SPACE LAND	EDBUTTAL ELLOCK'S	8 7 8 7 2 6 2
1	13868	16671	Analysis of Order in Council P.C. 225
3	13872	16643	Letter dated December 26, 1935, from Prime Minister to Japanese Minister to Caneda, cancelling surtax on Japanese goods
5	13875		Trade Agreement with United States, Nov. 15, 1955 (Ex. 649)

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### RARRII

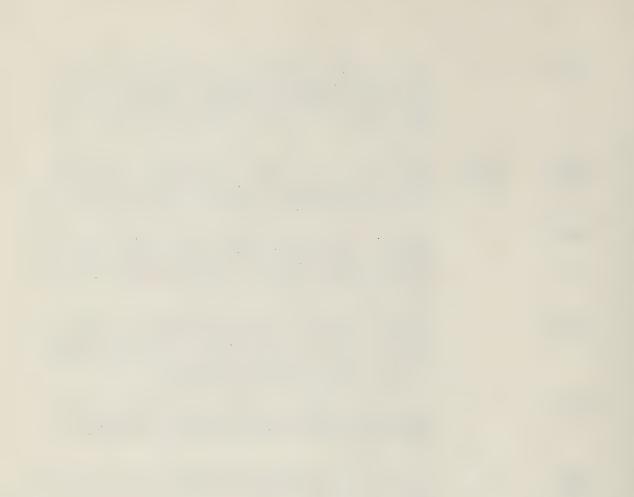
#### EFFECT OF JAPANESE COMPETITION ON THE TEXTILE MARKET OF CANADA

PAGE IN BRIEF	PAGE IN ARGUMENT	KELLICK'S REFUTAL	S U B J E C T
6	13874		Canada's Frade with Japan, 1922 to 1936 (Ex. 666)
	13974		Canada is a country that must necessarily prosper on export trade
	13875		Value of raw silk imports into the United States from all countries is included in \$161,000,000 worth of goods imported into Canada from Japan between 1922 and 1935 (Ex. 666)
	13876		Between 1923 and 1936 imports of raw silk from the United States become much heavier due to the imposition of excise tax on goods from United States being less than on goods from Japan
6	13877		Canada's export trade with Japan reached its highest point in 1929 (Ex. 666)
7	13877		Canada's exports to Japan had dropped to \$16,000,000 in 1935 (Ex. 666)
8	13677 13990	16687	Table showing decline in principal exports to Japan between 1930 and 1935 (Ex. 666)
8	13878	16610	Table shoing wheat imports by Japan, 1989 to 1935 (Ex. 668)
8	13879	16630	Trade Negotiations between Canada & Japan, 1935
9	13879		Letter from A.O. Dawson to Minister of Trade & Commerce, June 13, 1935, protesting against
	-		Japanese competition
9	13881		Dawson's letter was to the effect that if there was Japanese competition, the workers were the one who would have to suffer
9	13681 13988 14044 14055 14074		In December, 1935, on a 25% article bought in Japan, the Canadian duties myable emounted to \$1.55%
9	13881	16635	List of goods upon which Japan imposed a 50% surtax

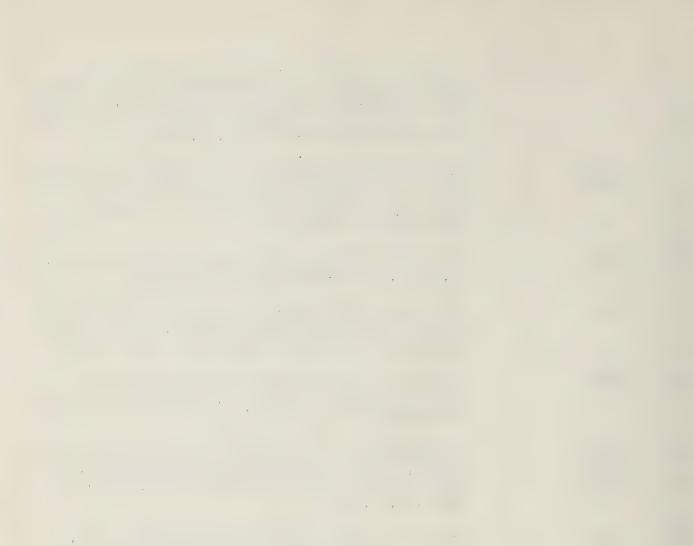
10	13881	16631K	Canadian surtax of 33% imposed on goods imported from Japan
10	15688		Letter from Hallam to President Silk Association, deted July 27, 1935, re effect of surtax on raw silk (Ex. 454)
11	15882	16633K	Letter from Hallam to Marx, July 31, 1935, stating that question of raw silk had been put
			before the Government by telephone, telegrem and memorandup, but that nothing had been done
12	13863		Comparison of total amount invested in the textile industry and Canada's export trade with
			Japan
12	13984		Valuation of the yen for duty purposes in 1936 was fixed at 39.5¢ and basis of valuation to be used in succeeding years (Ex. 138 and 644)
	15665		Including the surtax, protection afforded Canadian manufacturers amounted to 810%
13	13985	16635K 16644K	Duty payable on Rayon Fabrice after January 1, 1936
15	13865		Comparative statements showing duty payable on artificial silk fabrics imported into Canada and imported into the United States (Ex.526,527,528)
18	13887		Donner, buyer for Sears Rosbuck, stated he had no difficulty in getting Japanese goods
	13887		Cordon said he had made no investigation before closing the Sherbrooke mill to find out what the customs tariffs were in the United States
14		16636K	Statement showing importations of rayon fabrics into the United States from Japan, 1932 to 1936 (Ex. 525)
15	15888		Efforts to Intimidate the Government
15	13698		Representations to the Covernment and the closing of the Rayon Division of the Sherbrooks Branch of The Dominion Textile Co. Ltd.
15	13888		Members of delegation which interviewed the Minister of Finance, Trade & Commerce and National Revenue, on January 14, 1936
16	13889	16637 16640K	Substance of statements made to Ministers at mee- ting of January 14, 1936 (Ex. 277)
		The second second	

man, and the second of the sec 

17	13697		Delegation's report of meeting suggests that Covernment should be asked to take action on fixed valuations under Section 43 of the C s- tons Act
31	13898 13909	16653 16653	Ministers were few urably inclined to keeping the mills in operation, but wanted proof that Japanese competition was going to be injurious
18	13098		Taylor, of Courtenlas (Casada) Ltd., telephoned English company and also wrote them asking for information as to shat Japanese competition they might likely expect to receive
18	13900		Taylor expressed opinion that the Japanese fabric which competed with the domestic fabric costing 17% per yard formed a very small part of the total Canadian consumption
	13901		Gordon was unable to give any greater information than Taylor as to extent of Japanese competition
19	13901 13986		Gordon's instructions to close down Rayon Division at Sherbro ke on January 17, 1986, and reasons therefor (Ex. 3)
	13904 13909 13910 13918 13986		Kershaw's evidence was that in his conversation with Daniels on January 13, 1986, no mention was made of Japanese competition and that further curtailment of production was necessary because Magog Print Norks &&d not have sufficient machinery to handle the Sherbro oke production of grey goods (Ev. p. 78)
20	13905		Letter from Cordon to Hector Backin on deted January 16, 1936, stating Sherbrooke mill wil have to be alosed until there are reasonable grounds for essuming that goods produced can eventually be sold at a price level in line with cost of production
	13906		Unreasonable to expect Minister of Finance to accede to request that fixed valuation be restored
21	13907		Gordon's telegram to Montreal Cazette, dated Jan. 17, 1936, stating 'Hope to re-open when we can see possibility of manufacturing goods which can be sold. (Ex. 152, Evid. p. 2176, 2181, 2184, 2186)
21	13908		Interview between C.S. Howard and J.G. Dodd in which



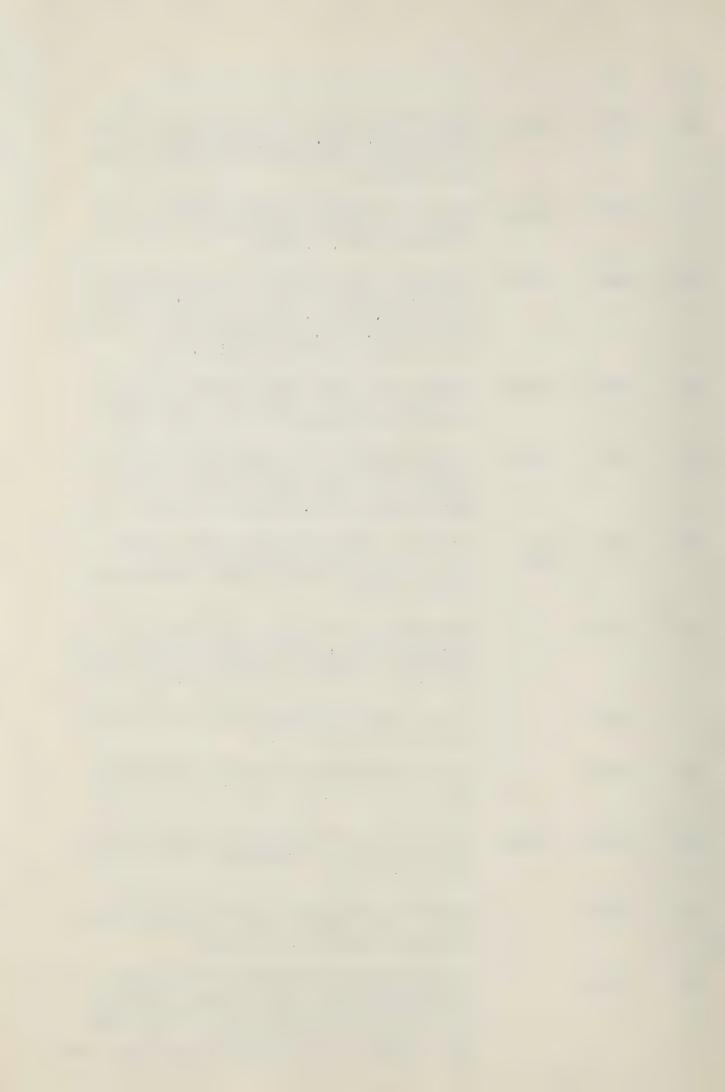
			Dodd stated "that there were goods ecming in that were responsible for serious competition, and they did not dure go on manufacturing in Sherbrooke in those competitive lines" (Ev. p. 7498)
	13908 1391 <b>5</b>		Lines manufactured in Sherbrooke were not competitive with any goods that had been quoted on and there is no evidence that goods were coming in or being sold at that time
22	13909		Dominion Textile issued orders to Hershaw on Jan. 24, 1938, to re-open mill on January 29
	13909		Unqualified statements were made to Ministers as to what was taking place in Canada, but the delegation did not appear disposed to submit proofs
22	13909		questions to be considered in connection with attitude taken by industry on account of Japanese competition
24	13909 15910 13915		It was necessary to curtail production at Sher- brooks, irrespective of Japanese competition, due to Magog being unable to hand a Sherbrooks pro- tion (Ev. p. 78)
24	13909		Stocks on hand at Sherbrooke in December 1934, and January, February and March, 1935, and comparison of stocks on hand during December and January in each year (Ex. 188)
24		16653	Production and Stocks reported by members of the Silk Association of Ganada from December, 1932 to April 1936 (Ex. 436)
24	13909		Silk companies produced rayon goods in 1935 at a much greater rate than they were being consumed in the Canadian market.
25	13910		Until January 15, 1936, there was no sugrestion of closing the Sherbracks mill for any other purpose than to curtail production
26 27-28	13910		Matters to be considered in determining the moti- ve in closing the Sherbrooke mill
88	13910		Quotations by A.R. Fisher & Company on Japanese 27" plain rayon and 27" brocaded taffeta. (Ex. 148, Evid. p. 2073)
88	13911		Styles of rayon fabrics produced at Sherbrooks at time of shut down.



29	13912	18326	Evidence of C Cordon of April 7, 1936, as
	18950		to competition that had been experienced from Jepanese goods up until that time
			and the same of th
	13916		Dominion Taxtile purchases of rayon yarn from
			Courtaulds in January, 1936, were 81,562 pounds as against 64,050 pounds in January, 1933.
			Montreal Cottons purchases of rayon yern were
			also higher in January, 1936 than in January,
			1935
	13918		Canadian Cottons purchases of rayon yarn from
			Courtaulds for first six months of 1936 were
			402,012 pounds as against 375,531 pounds for first six months of 1935
31			Suggested findings of Commission in regard to
			Dominion Textile Co. Ltd.
31	13953		Wage increase made by Dominion Textile Co.
			December 7, 1936, due to improved business,
			was designed to restore wages to level existing prior to 1935 cut
			The second secon
32	13919		Representations to the Government by Associated
			Textiles of Canada Ltd.
\$2	13925		Louisaville Mill closed December 14, 1935, for
	16636		two days (P. 4-110 and 4408). Mark says he does
	16648		not blane it entirely on Japanese competition
32	13927		At the time representations were being ande to
			the Covernment that the Louiseville mill was
			closing down on account of Japanese competition its production was being increased
			the series from more easily and order or an entire of the more of the contraction
	13927		Mark stated in May, 1936, that at that time he
			was experiencing no competition from Japanese
			Silvan - n. se stu
33	13988		Representations to the Government by Canadian
			Cottons Limited
33	13920	183360	Letter from A.C. Dawson to Hon. C.A. Dunwing
			dated February 25, 1936, stating that Japanese
			competition on both myon and cotton fabrics is becoming increasingly serious such day as a
			result of which it has been practically impossi-
			ble to make sales (Mr. 502 & 485, Evid. p.7367)
34	13932		Telegram from Canadian Cottons to Hon.C.A. Dunning
			in reference to reported landing at Vancouver of
			cwrtain Japanese brocaded rayon taffetas and sta- ting "situation simply means gradual process stran-
			gulation Canadian Hills" (Ex. 504 & 129)
			Strain Annual Control of the Control

Cannot in Cottons to Government.

34	13933	103555	Letter from A.O. Dewson to Hon. C.A. Dunning, dated May 22, 1986, re possible closing of Milltown Mill on account of Japanese competition (Ex. 478)
35	13934	183468	Dawson was unable to produce evidence of can- celletion of orders attributable to Japanese competition (Evi. p. 7175)
35	13935	183408	Furehasse of rayon yern by Canadian Cottons in first five mouths of 1936 were 239,670 lbs as against 204,802 lbs. in the same period in 1935, and in April, 1936, reached the highest point of any month in 1935 or 1936 (Ex. 732)
36	13936	183508	Evidence shows that while Coundian Cottons threatened to close their milis they were increasing their purchases of resonatorials
36	13936	183499	6% wage increase in all mills announced by Canadian Cottons on December 4, 1935, due to considerably larger volume of orders booked during recent weeks. This restored wage cuts
57	13955	16659 16666	Evidence of buyers for large stores is that they were not buying Japanese fabrics in place of fabrics they had been purchasing from Canadian mills
37	13956		Deliveries of artificial silk fabrics by Dominion Textile, Montreal Cottons and Canadian Calamess were greater in January and February, 1936 than in the same period in 1935 (Ex. 129)
	13958		Canadian Celanese Company has made no complaint about Japanese competition
38	13954		There is so Japanese competiti n from Japan that seriously menaces the output of Canada mills
38	13965	183500	Henry Johnson of Courtaulds stated his company had experienced no competition in the Canadian market from Japan
39	13967		Importation from Japan of cotton goods of a class or kind made in Canada have been practically megligible (Ex. 541 & 885)
39	13967		Tariff protection afforded Canadian Cotton manufacturers up to June, 1936, was 85% on and ad valorem basis as against 27.7% afforded the American manufacturer, and since June the American rate has been 39% (Ax. 536 & \$38)



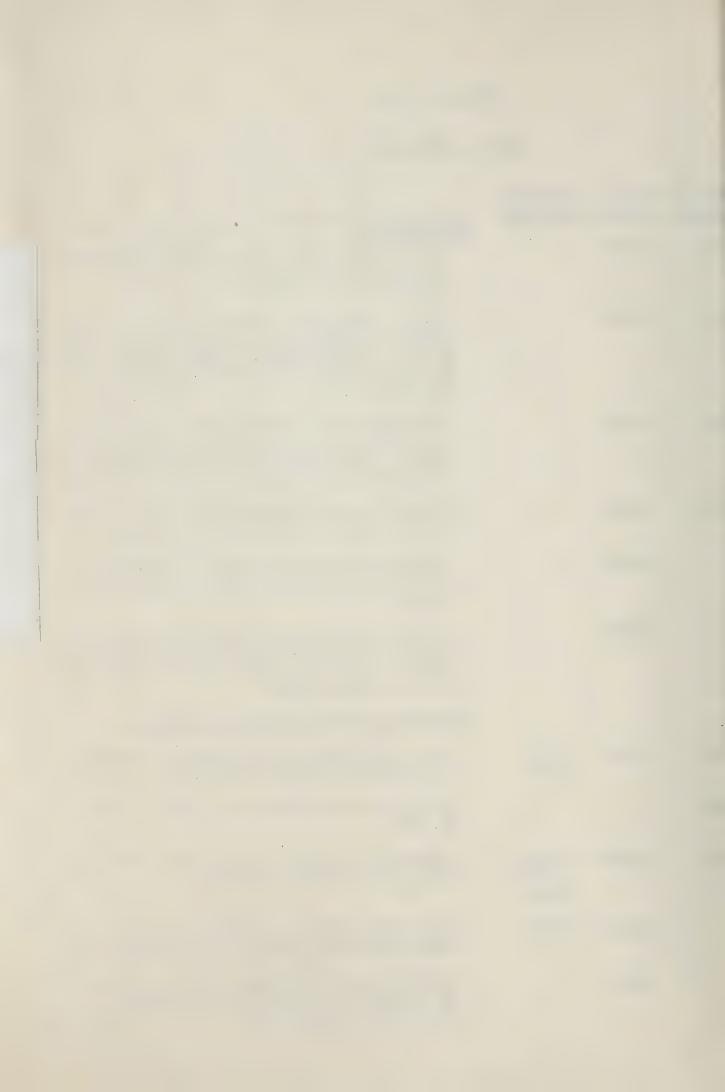
No suggestion has been made to Commission that any other branch of the textile industry has been receiving any serious competiti n from other Japanese textiles



## PA 3 P XII

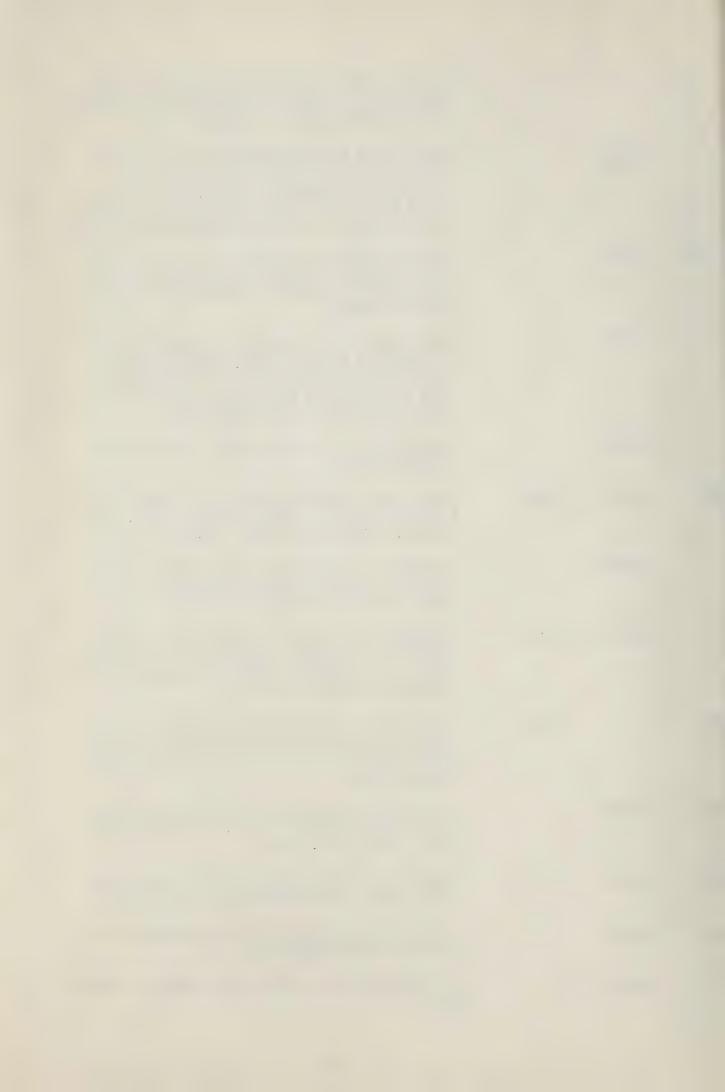
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nor In	PAGE IN	ERLLOCK'S HERE TAL	
40	13989		Tariff protection should be considered in the interests of the consumers, the workers and the investors in the injustry
40	13991		The the Coverment imposes a customs duty on article imported into Cameda, it gives to the Constant numbroturer of similar goods a right to impose on the consumers a private tax for his can benefit
41	13991		The extent of the tariff protection, the sta- te of internal competition and the archaeing power of the omeaner are the only re-ulators of the Canadian producer's power of texation
42	13994		Theory of tariff protection is that an indus- try is to be protected sails it is growing up
	13995		Genomera should not be asked to provide a co- turn on the sapital they have invested in a company
	13996		Tertile industry should not be provided with a protockion that will enable bankers and fine - ciero to handgemate mills and make millions out of such amalgemations
			Protection Afforded the Textile Andustry
43	13998	17066	Points which should be considered in studying the question of teriff protection
44			Tariff rates on notion yarns, 1907 to 1936 Ex. 804)
47	1399 <del>9</del> _A	17093 17097 17126	Protection efforted on Sc. 10 Single sarp Yerse, 1930 to 1936 (ar. 820)
	13999-8	17060	Competition with No. 10 Single Surp Yarns would likely come from the United States
	14000		When the rate of one ange is against Geneda it emures to the benefit of the Canadian manufacturers, but whenever the currency of



			manufacturer asks that despine duty, ourren- by dusp, etc. shall be applied
	14001		Atna stated that the reduction to 5 of the duty on acctate yarns would result in materially increasing enployment in his mills due to the fact that he would be able to use acctate yarns more freely been before
1000	14002		Size of bine Mill has been increased 50% sine reduction in duty on acct-to rame, according to Treabley (This has not been substantiated)
	24000		While tariff may protect the manufacturer of yarm for cortain cotton mills and cortain action with the right of these mills to purchase their yarms in the chespest market
	14000		in 1956 budget
49	14005	17201	Comparison between Canadian and American mil spreads and selling prices of No. 10's Single, Cotton Norp Yama (Ex. 821)
	14005		Posting in will appead in the United States between Au not1933 and July 1934 was a pre-
	1.400%	27101	Consilan alle, despite tariff protection given in 1735 under pledges act to increase priocs to communes, increased their mill spreads and laurens d wages
50		17108	Mill spread is the difference between the cost of rew cotton after deduction of the ratio factor and the colling prices of the finished yarm
58	14007		Statement of mill wages and percentage of sales dollar in mill wages, reminion forti- le Co. Ltd., (Ex. 1880)
<b>44</b>	14008		Tariff protection on Cotton Jary Yarn, No. 37's twisted, 1930-1955 (Ex. 65. and 653)
53	14011		Erviso tex gives additional protection to the Canadian semufacturer.
	14011		ibus ention is duty-free but subject to excise

another country is depreciated the Canadian



\$4	14013		Comparison between Canadian and American mill spreads and selling prices of No. 30's twist-od Cotton warp yerns (Nx. 883)
	14015		N.R.A. became offective July 16, 1933
56	14014		Tariff protection on No. 30's single warp yarus 1930 to 1936 ( x. 884)
57	14014	17130	Tariff protection on No. 30's single, besiery yares, 1950 to 1956 (Nx. 885)
59	7.4	17135	Duties on cotton yams to weavers were increa- ced in 1930, but there was no increase in du- ties on yarn for knitters. The result was that the large considesturers of yarns who were also weavers were given a manapoly on the cotton yarn business of Gasaka
			Cotton Febrica
60	14015		Dutles on Cotton Fabrics, 1907 to 1936 (Ex.805)
	14016	16945	Present tariff retes on cotton goods are not lower than they have been for the greater part of the period since 1897 (Ex. 892)
			Meroranium of Law
61	14026	1798GA 17145	Valuations for duty are made under Section 35 of the Customs Act
63	14001		Fair market value is further bfined by Section 36 of the Customs Set
62	14038	16458	Sub-section 1 of the section 36 of the Customs Act was repealed and sub-section 2 amended on September 17, 1930
62	14035		Protective effect of amendment to Section 36
63	14036		Sub-section 1 of Section 36 was repealed in 1934 and a new section added as Section 36-A making it possible to give a preference to one country over any other
	14037		United States has a consumption tax; Jasen has a consumption tax which is in the nature of an excise tax; and in Great Britain there is an excise tax on artificial silk encunting to 6d. per pound



63	14038	In June 1956, Sub-section 2 of Section 56 was replaced by a new section, the effect of which was to obtamine the basis on which the reasonable advance for solling cost and profit is to be determined instead of leaving it to the judgement of the Minister
64	14059-4	Section 41 of the Customs Act, paragraph (e) of Subsection 1 was emended April 22, 1936, to take care of cases where an American manufacturar who solls direct to wholesalars in the United States solls to a national distributor in Canada at a lower rice than the price to the wholesalars in the United States
		Fired Valuations
65	14041	Frior to September 1930 Section 43 of the Customs Act applied only to matural products. In September 1980 it was amended to apply to goods of all kinds
65	14048	Section 43 was further amended in 1933 to limit the profisions of the section to goods not outi- tled to entry under the British Preferential or any lower tariff
	14043	Section 43 was applied to artificial cilk fabrics and made their entry into Canada almost prohibiti-
	14044	Delogation to Ottown on January 14, 1986, request- ed Ministers to have valuations under Section 45 restored
66	14060	Tariff Board ruling that the Department of National November was in error in maintaining fixed valuations on British goods after the 1983 amendment to Section 45 was thrown out by the Supreme Court
	14064	In June 1936, Section 43 of the Customs Act ams further amended by adding Sub-section 3, which provided for appeal to the Tariff Board against fixed valuetions



67	14057		Currency Valuations Section 55 of the Customs Act gives the Coveraor- in-Council power to proclaim the rate of exchange
66	14060		In 1955 Sub-section (9) (a) was added to Section 6 of the Gustoms Tariff Set to ix the sate of exchange on depreciated currency in computing value for duty of goods imported. This gives additional power to lovy duties on the difference between the value of the goods at the current rate of exchange and the value of the goods at the proclaimed or fixed rate of exchange
			Special or Denoing Linking
58	14065		Frior to September 1980 Section 6 of the Custome Tariff act had only a limited application. This Section provided for special duties where the selling wise to an importer in Canada was loss than the fair market value when sold for home consumption
69	14067		Damping Suties did not apply on goods on which the suties otherwise established were equal to DOW ad valores
	14067		In additional to the tariff increases which benifitted Canadian industry, there were a great many statutory changes that increased the protection
70	14069		Puragraph & of Section 6 deals with dumping duty on goods dained on consignment
<b>*</b> 3	14069		Paragraph 5 of Section 6 gives power, after goods have been passed through Customs to go back and assesstts importer for any duties that ha e not been paid witch sught to have been pi-
70	14070		On September 22, 1930, Section 5 of the Customs Twriff Act was repealed and a new Section 6 sub- stituted
	14072		Then the fair market value of artificial silk was \$1.25 per point under Section 43, special duty was assessable on the difference between the selling price abroad and the \$1.25 per pound
<b>*</b> 3	14080	16486	In 1931 Sections 3 to 18 of the Customs Turiff Act were repealed. In 1933 Section 6 was assend- ed by adding Sub-section 9
	14081		Gustoms lass should be simplified so that they may be intempreted and understood by anyone



73	14093		Mr. Monuer's interpretation of Sub-section 9 of Section 6 of the Customs Tariff Act
	14096		Solling price manns invoice value
74	14104		In July, 1934. Section 5 was manded by add- ing Sub-section SA. This provided that when- over it is deemed expedient to 50 so, excise duties or excise tuxes in whole or in part shall be disregarded in estimating the value of special duty
	14105		Sub-section 2A sans used in consection with the United States processing az on cetten
74	14106		In 1936, Sub-section 1 of Dection 6 was re- pooled and a new sub-section 1 substituted. This provides for examption from dusping duty articles which cannot be purchased from a Canadian manufacturer for re-sale in Canada
75	14100		In 1836, Sub-section 10 was edded to Section 6 and an Order in Council passed which wovides that an article shall not be considered of a class or him made in Canada unless it amounts to 10% of the normal Canada occasion to
	14110		Chromological ammary of action taken in Pagerd to the ammange rates between Canada and Japan, 1918to 1937
			Practical Application of the Law
76	14111 14124 16187	17140	Table dowing American solling price and duties payable on Conton fabrics in the grey when in- ported into Conada, 1980 to 1936 (ax. 229) This Illustrates the effect of the change in the tariff
77	14118		On April 7, 1952, under the provisions of Section 56 (1) an apprelears buildtin was issued, the offset of which was to fix minimum values for duty purposes on cotton fabrics imported from the United States (Ex. 827)
	14115		Difficulty of btaining coets of production, Section 38(4) of the Customs Act provides for review by the Board of Gustoms of the decision of any appreiser or collector as to the principal anglests of the country, or as to the fair market value of goods for duty purposes
78	14125		Sulletin fixing minimum twices for duty purposes on cotton fabrics imported from the United States was withdrawn on September 5, 1932, due to the



	Meling price in the United States under the N.A.A. being as high as the prices shown in the appraisers bulletin
14135	Home market valuation is now necested on cotton fabrica import d into Cenais from the United States
14186	Fixed valuations under Section 43 of the Customs Act 12 still in effect under the Ceneral Tariff
14128	Tariff increased can be made by increased value- tion wit out consulting Purliment. This is done on representations from the injustry
14130	Department must act on the cost of production abroad, plan a resemble advance for selling cost and profit
14130	Table she ing additional daties imposed on conton gray goods due to valuations under Section 36 (8) (Ex. 627)
14185	Table showing additional protection over regu- lar dustoms teriff schedule afforded by the special valuation
14138	It is not the present policy of the Department of National Sevence to use Section 36 of the Customs Act to enhance the fair market value without remark to the cost of production of the individual exporter
14136	Table showin. Canadian and American solling prices and mili sprends a 40" sheeting, 1930 to 1936 (Nx. 650)
14136	Mill spreads in Canada in 1934, 1935 and 1936 were very substantially above the still spreads in the United States, while Canadian mills were operating under a reduced mage rate and the United States under increased wage rates
14137	Seduction in mill sproud of American mills is due to decline in selling prices
14138	Genedien solding price west up with the American solding price
14139	Mighest Gamadian mill spread on 40" shooting was was 19.444 (sugast, 1934) (Ex. 820) Textile companies showed good carnings in 1934, which partly reflects the reason for the high mill spreads



84	14141	Table showing american selling price and duties payable on 44" Frint cloth in the grey when imported into Camaia, 1950 to 1935 (Ar. 821)
85	14144	Bleached cotton fabrics and piece dyed and printed fabrics are affected by the Gustons fariff to the same extent as cotton grey goods (Ez. 536, 239, 849, 843,844, 845, 846)
85	14144	importantes of cotton goods distributed under those tariffs
65	34146	Customs duties on yarn dyed fabrics imported into Gamada from the "nited States and 1958 appraisal of denims and chambrays based on the grice of raw cotton in New Jork (Ex. 849) This appraisal bulletin was cancelled in 1954
<b>8</b> 6	14147	Gustoms daties on Cotton Plannelette imported into Samada from the United States were based on a fixed valuation after December 13, 1931 (Ex. 865 and 847)



ace in	PAGE IN EXILOGED'	
89	14150	Artificial filk Yarna Teriff on artificial silk yarns was first in cosed
		in 1983; prior to that time they came in under the cotton tariff
	14152	Any protection afforded the manufacturer of arti-
	14159	ficial silk yam should be a very modest one
	14153	Courtenles commonced the manufacture of viscose yers in England about 1908
	14155	Canadian Colonese Limited will not sell their
	14308	acetate paras to the seavers on a fair basis
89	14155	In 1954 the at valures and appointe duties on
	14337	artificial milk yaras were reduced unfor the British Profesential (Br. 807)
89	16154	In 1986 tariff item covering artificial silk yerns
	14364	was eplit into two items, sootate and viscose,
	16527	valorem and no specific duty (Ex. 807)
	14195	Comercial production of rayon yam commenced about 1690
	16196	Viscose yarms are imported from Pagisal, sevenin Camais ami the fabric exported to England
	14137	It has been deried that there are world cartels in ortificial silk
		V1.00 000 Yarno
90	14137	Tariff protection on artificial silk yarn was beavily increased in 1930 (Sx. 863 & 864)
90	14199	Canedian weavers in 1956 peld 65% a round to the Canadian manufacturer for years shick except for customs futles, they might buy in the Metherlands for 54.31% per pound
91	14160	Rates of duty on 100 dealer, 31 filaments yarn produced in Great Britain (Sx. 865)
		Acetate Yaras
91	14160	Reference No. 38 to the Pariff Board is a final report except in regard to ply years



1.2003	110111	111	1367 (F) 23	2	bet as

			\$100 MB of the control of the contro
92	14154		Quatons deties an artificial silk seven febrics 1983 to 1986 (Ex. 807)
90	14186		If a cott m tabric combains any artificial milk shatever it is classified as artificial milk
	14167		at one time the rate of they me lower on 's ric composed wholly of artificial silk them on far-bric sur one. In art of a tilicial sil, but in 1930 the rate became the sens for any fabric whether composed wholly ar in part of artificial oilk
	14168		rior to 1900 the case of duty an artificial allk under the British Preferential was lower than the rate of duty on some sottoms
	14139		Prior to 1930 there were many comes where the turiff it was were split so that he lower riced goeds were on a lower scale of teriff and in 1930 they were sell just begother on we me his eracule
80	34170		On tweether 15, 1801, We are in Council P.1.2013  The possess actionizing a fix 2 valuation for twe- ty purpose of 1.00 per ouns on seven sitt fu- bries ear osed abily of artificial sitt ( x.817)
93	1/41/90	17100	tine by Cabrie of Postreel Cottons was 1.85 per poss, but after receiving some conjustion from Japan it dropped to \$1.60. It is still 57¢ a 1b over two correspondency lee in the United States. In other cases the discrete less are lower that the Scariosa prices (w. 860 and with p. 11977)
95	24271		fill core of on Cambian Contons 37° plain rayon to feet as 1.05 per pount on Teleber 31, 1331. On the loth of seconder, three days after the fixed valuation most on, the Cambian mili a restract valuation count and the price was increased by 194 a pound (Ex. 867)
	14171		Consider miles in not every out the sold of the uniorthical points increase rices iven to the Government in 1800, in we of the median in world brices, the executi valuation at on and the increase in the case they

TR & CO

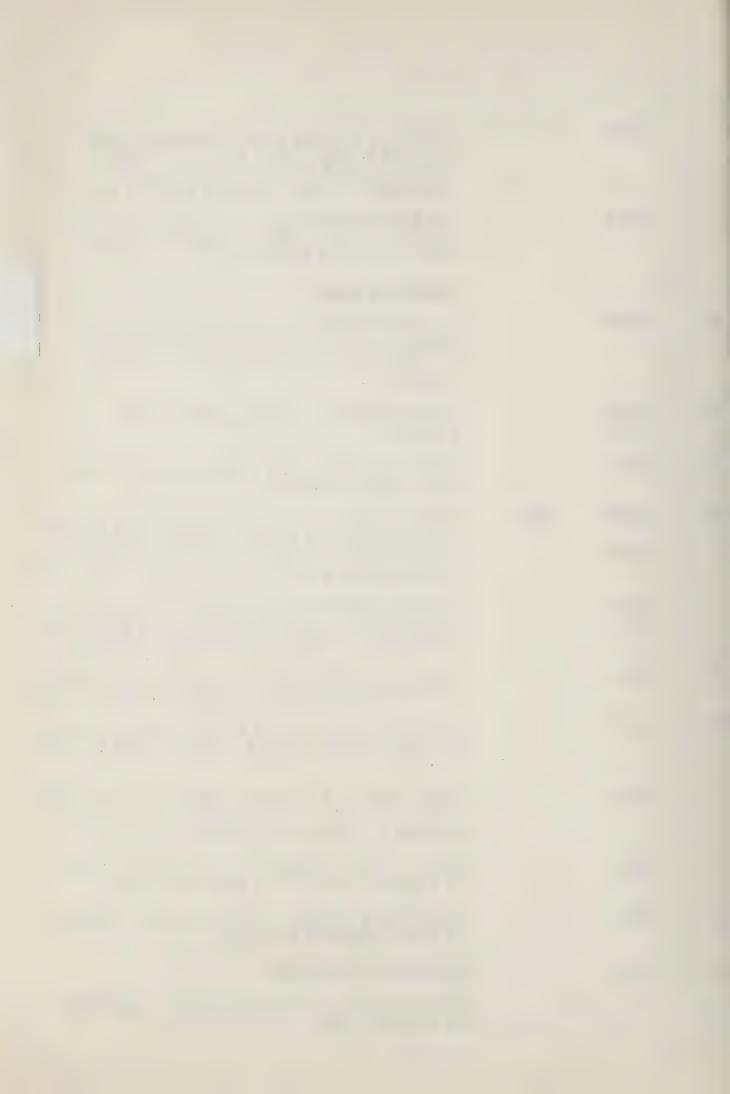


	14171		How little the price of rayon fabric was governed by the price of the rayon yarn is shown in an examination of ax. 867
95	14178		In February, 1934, although the price of rayon yare had dropped to 70% a pound, the price of the febric was 82.01 with a mill spread of \$1.31 being the largest mill spread of eny perio from 1931 to 1936 (2x. 867)
	14178		Consider Contons was the company which made such strong representations for tariff increases in 1990, and was the company which made the greatest protestation that it was going to suffer from Japanese competition
			National Wilk Subrice
	14172		Tariff items on natural milk fabrics have been in effect since 1907 at least, but there has been very little broad milk industry, if any, in Canada prior to 1923
95	14173		Customs duties on natural silk fabrics, 1907 to 1956 (Ex. 809)
	14173 14178 14180		There is so evidence before the Commission that prices that have been charged by the members of the broad silk injustry in Canada have been excessive. The evidence is rather the other way.
<b>0</b> 6	14173	17255	Ewitzer, buyer for T. Eaten Co., stated that in the silk trais share the tariff is prohibitive, the price is 55% less than before the tariff increases, attributing this to internal competi- tion and the los price of res aik (Evi. p. 6763)
8	14174		In 1930 there were 9 weavers of eilk febrice in Canada and b. 1935 there were 18 (Er. 916)
	1474		Unless these mills are subjected to competition from abroad, steps will be taken to eliminate competition between them and they will marge and analysmate to the Setriment of the computers and the workers
	14176		A lower tariff would protect the consumer should there be any effort on the part of the silk mills to get together and raise prices to such an excent as would be unreasonable to the consumer
	14177		Section 17 of the Customs Tariff Act provides for the reduction or abolition of duty if advantage is taken of the duty to increase prices to the consumer



14178		To prove the sargers, analy so tions and true ogreements, the primary step is a tariff protection that would not make things so profitable that the companies could do this
14179		The tariff dould never be so high that if coople are taking undue advantage of it for reign goods would not flow in
		Norte to the second
14161		Theiff protection to the seaufacturers of blankets and rugs is out of all proportion to what one would think should be normally required
14306		(Ex. 614)
		Custom duties on rugs (entomodis and ste nor) 1907 to 1938 (Ex. 814)
14188	17157	Cffect of rates of daty wevailts since Jonary 1930 on cotton and roull a blackets ( 371)
14190		Planket remutestares made very heavy profits write the depression years
14192		Consider manufecturer of blockets is taking mi- ventage of the high tariff to calmage usely the trice of his esticio to the Condies converge
14194		Communison of Cammien and American mill species on bischets in Junery and lubrus y, 1936 (D. 67)
14197		Castoms duties in cotton blankets imported from the United States prior to 1930 and 1930 to 1936 (Ex. 873)
14:01		Exhibit 873 is a compared war le of a prohibite tariff giving to a few compacturers a complete monopoly of the Cenadian market
14274		There can be so attend the to justify a lity on any basis except as a prohibitive duty
14/26		Occurrison of Conselan and wartons mill some de on oottom blanks to (Mx. 874)
14212		Currets and Place Tura
		Customs deties on corrects and floor mas, 1907 to 1938 (Ex. 615)

LOI



	14216		Same of the methods used to raise the price of corpets in Canada
104	14219		Exhibit 876 does not exaggerate the unfairness of the specific duties to the consumer of low priced goods
			Mate Cooks
105	14820		Custome duties on kelt goods, 1907 to 1936
	14925		No emposions were made on kidt goods in 1955 under the Most Fevoured Mation Treaty
107	14257	17157 17168	Additional protection was given manufacturers of Bool Jersey Cloth and Couton Stockinette by edvances made under an appraisons bulletin on the true invoice value at the place of export This apprecisers bulletin was withdrawn on Dec. 27, 1935, (Ex. 878 and 1885)
108	14233	17156 17157	Table showing the effect of this bulletin on woold jersey cloth imported from Great Britain and from the United States (*x. 879)
109	14822		The freet of the apprecisors bulletin was to reize the duties and taxes collected on an ad valores basis from 49% to 92%, while the effect of the imposition of specific duties in 1983 was to mise the duties and taxes collected on an ad valores basis from 92% to 183% (Ex. 879b)
111	14232		Imposition of specific duties in 1955 resulted in increasing the duty on an ad valorem basis on cotton undersear imported from Japan from 1176 to 3446 (Ex. 879c)
m	14853		Imposition of specific duties on knitted arti- ficial ailk sweaters from Italy was to increase the duty on an ad valorem basis from 29% to 84% (Vx. 879d)
111	14233		Imposition of specific duty on cotton stockinst- to was to increase the duty, on an ad valores basis, from 20% to 68% (Ex. 879e)
111			No change has been made since 1928 in rates of duty on kai ted cotton fabric when imported by manufacturers of rubber boots and shoes for use exclusively in the manufacture of such

articles.



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		the state of the s
100	14333	Costons autics on Losiery, 1907 to 1956 (In. 61)
	14236 14270	10 discoust upler the write order milds river and in each consist that the second of the second seco
214	14257	Total stating imports into Come a memory and statement stockings in like and 1976, and so conserve mutic. have or ctimally eliminus a conservition from out- side Canada
		Pritich and Foreign Evelue Tames
224	14239 14368	From An wat, lower until July, 1984, the amount of the recomming who in the United it the end in a condition of deal water for the liter on great duty. This is now disregarded
2:4	14340	In Great Britain an excise tex is levied on arti- ficial with garns accumulants of a security of a s
	14243	Starment showing Canada's imports of textiles with duty collected thereon, also average advalous related the collected thereon, also average advalous related the collected thereon.
	24304	Wellock says it takes a very high duty to keep Japanese goods out
215	14262	In Japan, manufactured goods are subjected to a local consequention to a last his tent is not lessed on goods exported
	14263	Japanese consumetion tex has been disregarded since 1994
	14205	importations of viscose yaras from the United that for 9 are the smooth sea her 31, 1990, and calendar year 1935
	14267	increase strike in 1950, courtailing (Contra) its. incorted from Occolomitals 378,311 outside of viscous years and 75,761 pounts of most to gains
846	14633	Articles 10 and 11 of the Cenada-United Kingdom  Les a second of 1900 your period for the  profits and investments in relation to tariff  protection



14641

Priof on Dominion and Frovincial relations propared by Mon. Mercan Mel. Rogors, for the Fr wines of Pows Scotia (Sz. 1888)

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depart of the Royal Commission Provincial Economic Enquiry of the Province of Pove Scotia, 1934 (Rr. 1829)

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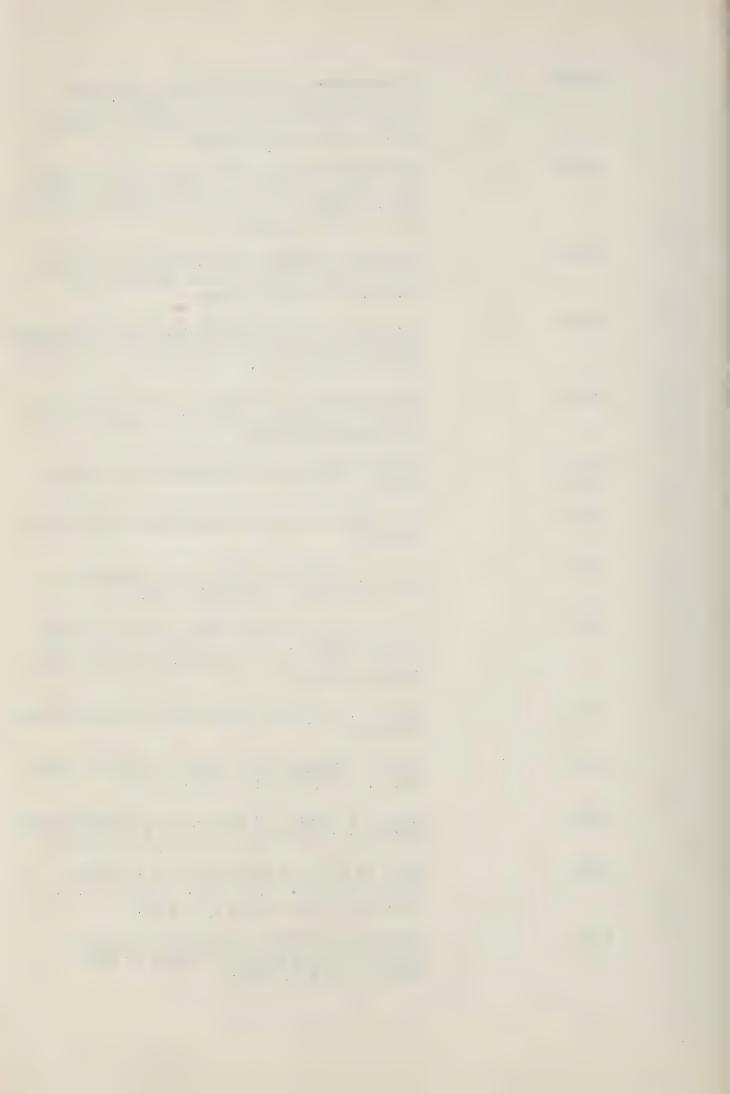
# PARTI

### INVESTIGATE A COSTS

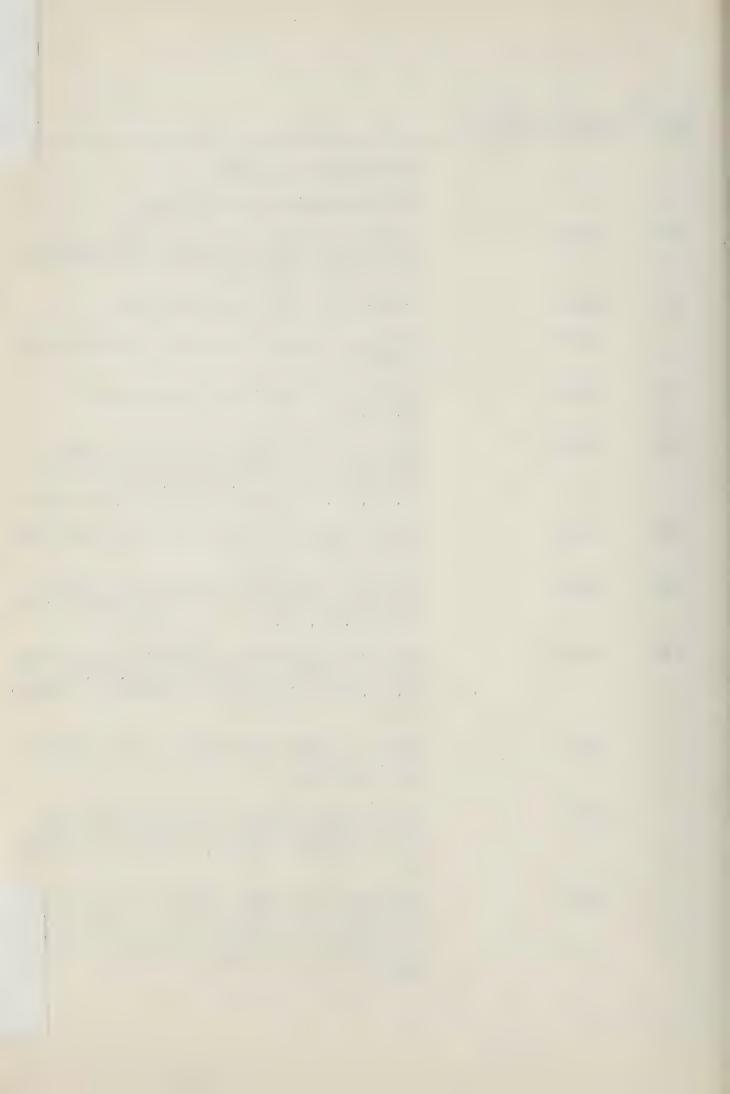
PAGE IN		RALDOK'S REPUTAL	
			Introduction
216	14274	17634H 16684	Consumer's primary right is to buy goods at free trade prices and when prices are increased above that level he is being taxed for the benefit of home industry
117	14275		Basis on which the consumer has been called upon to contribute to the support of the industry and what has been done with the coney contributed for that purpose
117	14276		There an industry is doing an export business the Camadian Consumer is not contributing to the support of the industry
217	14277	17617H 16694	Where a protected industry does no substantial export business, all capital created through the operation of the busienss, over and above a reasonable return to the investor on capital invested by him, has been contributed by the consumer and not by the investor
	14281		Underlying rinciple of a protective tariff is to induce an infant industry to start and to give it an opportunity to grow
	14284		Industry is only entitled to a return on capital invested by shareholders and n t on capital invested by consumers
	14285		Consumers on not be called upon to be subject to taxation forever simply because of the basis on which manufacturers choose to run their industries
118	14287	17616H 17633H 17692	A portion of earnings on capital employed in operations and in many cases the greatest portion has been provided by the consumers of Canada and not by the investors
	14288		Heward and McRuer disagree on real meaning of the term "investment"



14290	To determine the extent of the protection that must be given to the industry as a whole a well-managed representative company must be taken as a standard
14290	Ratio of earnings to the value of the invest- ment is an erroneous basis on which to consi- der the return in respect to the power of taxati given to the industry
14295	Syndicate invested \$1,000,000 for which they obtained in Preferred Stock \$500,000 and \$5,000,000 in Common Stock
14297	Elimination of competition among the four merged companies was of great intengible value to the Dominion Text le Co.
14299	The consumer has a right and would be able to buy in the cheapest market if it were not for the protective tariff
14302	Points which should be considered in fixing
14510	teriffs
14303	Discussion as to what constitutes a "reasonable return"
14305	Tariff protection should not be designed to give more than a reasonable profit
14306	If the tariff is not reduced for the benefit of the consumer, then, any profit earned on capital royoded by the consumer should go to the wage earners
14306	Zeiss Co. in Germany shares its profits with its employees
14307	Unless a company adopts such a procedure volun- tarily, it could not be done by law
14308	Consumers should not have to go on forever sup- porting one pyremiding of stock upon another
14641	Brief on Dominion and Provi cial relations prepared by Mont Norman McL. Rogers for the province of Nova Scotia (Ex. 1328)
14665	Report of the Royal Commission Provincial Economic Enquiry of the Province of Nova Scotia, 1934 (Ex. 1329)

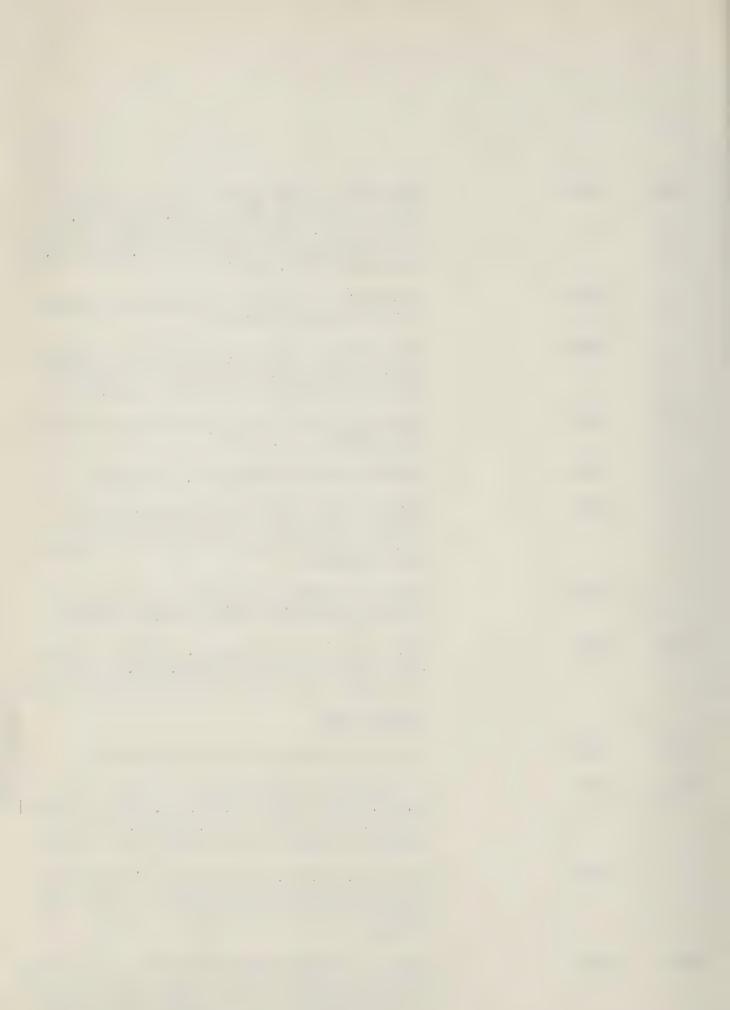


		AUTHICIAL SUCK DIVISION
		Control of the contro
		Cellulose Acetate Yarns & Fabrics
119	14311	Canadian Colamoso Limited we we 99% of their yarns and the ensunt they sell to the traders is practically negligible
119	14318	Eistory of Camadian Celanese Limited
	14313	Canadian Calanese is owned and controlled from abroad
120	14313	Capitalizati n of Canadian Colamese is \$9,980,500
121	24314	For the 7 years ending December 31, 1935, Canadian Celanese had not profits from opera- tions amounting to \$6,586,626.36 and \$1,062,114.22 revenue from outside investments
121	14314	Profits from last three years of operation have shown a great increase
121	14814	In 1935 Ganadian Calanese surplus and special reverves and reserves for contingencies amounted to \$2,955,150.87
121	14134	Write off in 1935 for depreciation of buildings plant and machinery emounted to \$1,725,800 and \$1,175,100 was charged to operations for repair to plant and machinery
	14514	Charges to plant and machinery and to deprecia- tion were all charged before the ast profits were arrived at
	14315	Canadian Celanese during the seven years of the depression earned in not profits now than the total emount of cash invested in the Compa- ny
	14316	Competition in acetate yarms comes as inly from the Netherlands and Italy and not from Great Britain. The importations from Great Britain since the duty was reduced to 5% has not been large



121	14325	Percentage of net profits on operations to sales in 1936 and 1935 was 25.56% and 23.6% respectively. Not revenue applicable to capital employed in operations was 16.6% and 17.2% respectively (Ex. 1201)
	14325	Explanation as to how net profits are arrived at by Commission Auditor
	14328	The return on capital invested by the invest- ors is a much better criterion than anything class to know how investors have got along
122	14330	Executive salaries paid by Canadian Celanese are excessive (Ex. 1199)
	14351	Canadan Celanese employes 2, 100 workers
	14531	Customs duties under the Intermediate and General tariffs should be reduced so that Canadian weavers may get acetate ye no from other countries
	14331	Canadian weavers are unable to meave acetate cloth in competition with Canadian Celanese
128	14332	During the depression years, for every \$35.00 that went to the wage earners, \$28.20 went to the higher selaried employees or the investors
		V1800 NO Yayos
123	14333	History of Courtaulds (Canada) Limited
1.34	14555	In 1934 total capitalization of company was \$8,000,000 for which \$5,551,064.50 was received in cash, the balance of \$2,446,915.50 being charged to goodwill, patents and trade warks
	14839	Of the \$5,551,084.50 cash investment in the Company a considerable portion of it was cumulative profit that had been made in the business
124	14333	Since the Company commenced operations in 1936, the total profits, before depreciation, emounted to \$10,485,152.87 of which \$4,553,352.09 was charged to depreciation, leaving a net profit after depreciation, of \$5,931,800.78 or 17% on

sales

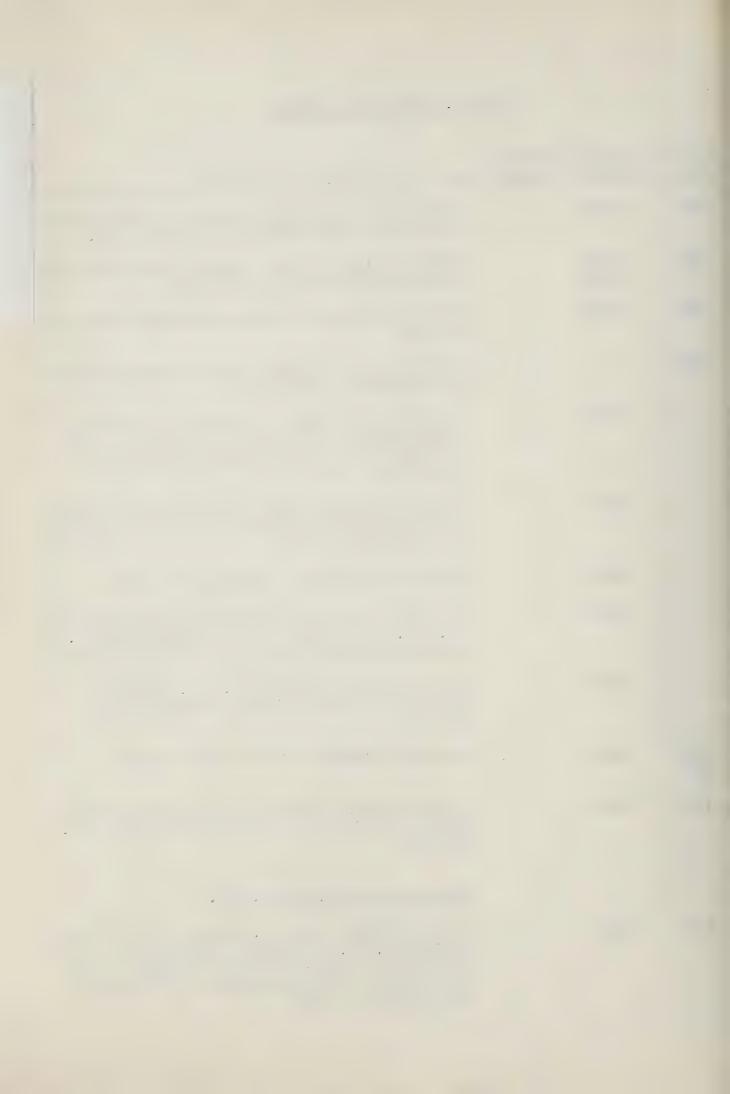


134	14354	Since 1936 the Company charged to operations for repairs to buildings and machinery \$1,836,896
124	14554	During 1926, 1927 and up to September 1928, the the business was carried on a branch of the English company, not profits amounted to \$1,245,739. This was credited to the English Company and invested in the capital stock of the Canadian Company
184	14335	The present position of the affairs of Courtaulis (Carada) Limited is as follows:-
		Total investment in lands, buildings and machinery Written off to Depreciation, since commencement of operations Reinvested in land, buildings and machinery from profits realized by Raglish Company up to Sept. 1928 1,245,739.00 Fitten off to Goodwill Account 1,305,915.00 Surelus Account 1,028,548.00 1,367,300.00 1,367,300.00 1,367,300.00 1,367,300.00
125	14735	Consumers of Canada have contributed more than sufficient to pay for the waste plant in ten years of operation
125	14357	Comparison of financial position of Courtaulds and Canadian Calanase
126	14338	Executive salaries of Courtaulds are very much lower than the sularies paid by Camedian Celanese (Ex. 1278)

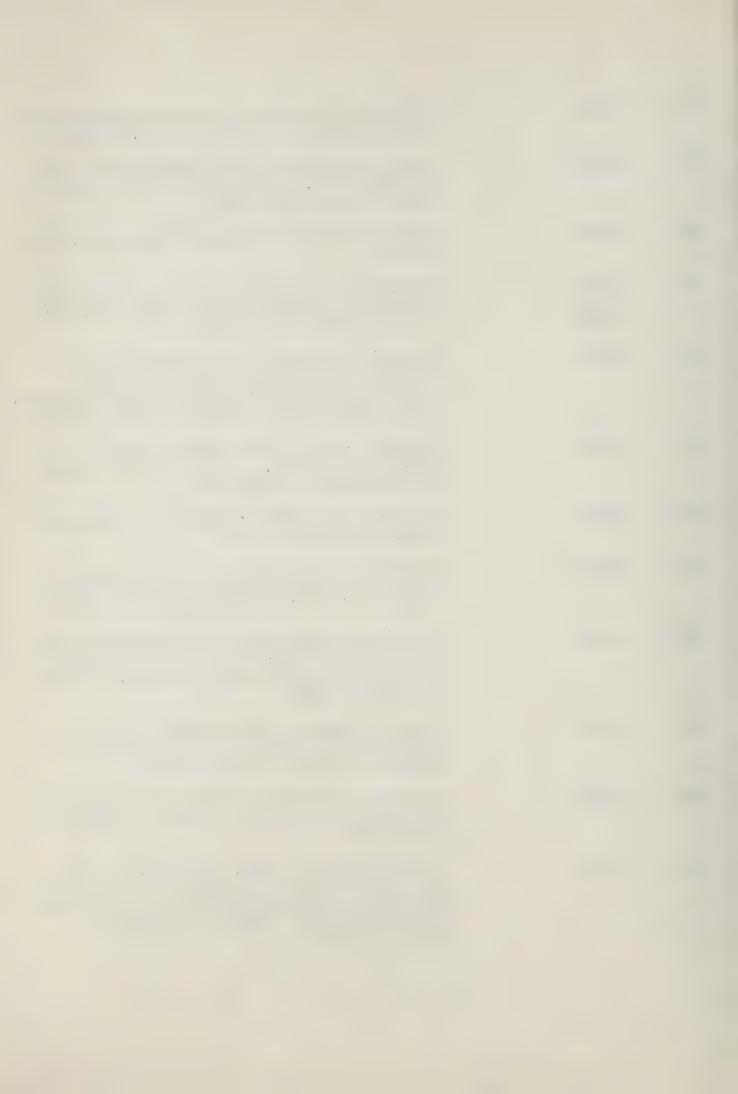


## DOMESTON TEXTURE CO. LINETED

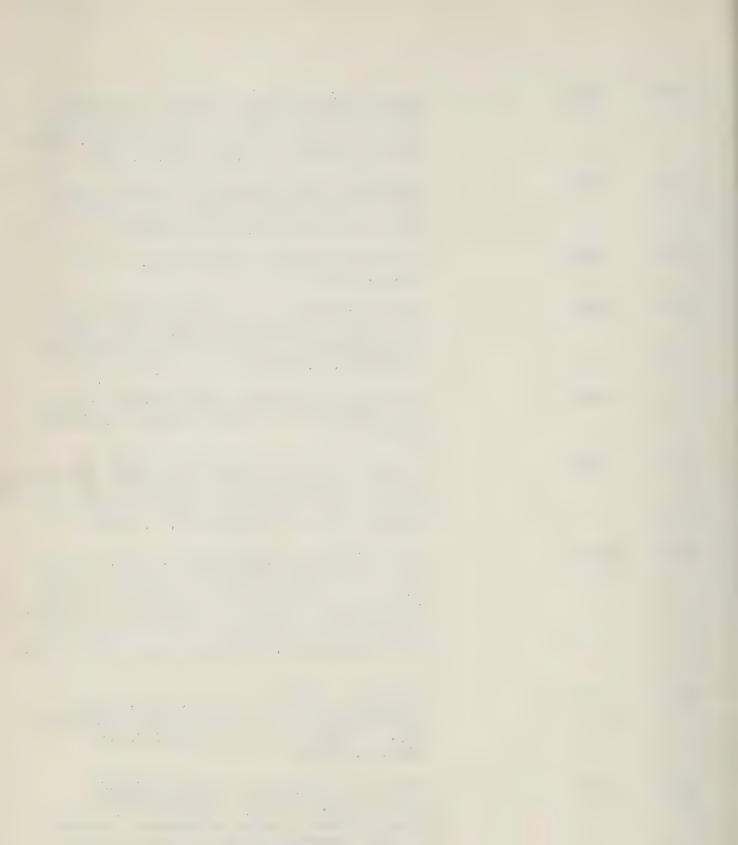
PAGE IN	PAGE IN HER ARD'S AROUTOMY REBUTTAL	SUBJECT
1.87	14345	Chart showing the amalgametions and mergers that culminated in the Dominion Textile Co. Ltd.
130	14349 14361	Nine individual cotton companies were merged into Dominion Coston Mills Ltd in 1890
150	14345	Charbly Mill and the Slater-Winzy were taken over in 1891
131		Values placed in 1894 on the 11 compenies merged into Dominion Cotton Mills
٠	14346	In 1905 three additional companies (Morekents, Mathematical and Colomial) were taken with the Dominion Cotton Mills to form the Dominion Textile Co. Ltd.
	14346	In 1910 Dominion Textile leased the Mount Royal Spinning Mill from Canadian Cottons and purchased it from them in 1920
	14347	Dominion Textile Co. re-organized in 1922
	14347	In 1929 Drummondville Cotton and Sherbrooke Cotton Co. Ltd. were acquired by Dominion Textile C. Ltd this bringing 17 companies into the amalgamation
	14347	In 1930 Commission Textile Co. 1td. acquired a controlling interest (54%) in Montreal Cotton Company
138 165	14349	Financial history of Eulan Cotton Company
165	14351	La Companie de Filature d'e Anne Ltee and Hudon Cotton Company nerged with Hochelags Cotton Co. in 1865
		Dominion Cotton Mills Co. Ltd.
163	14351	Magog Textile & Print Co. purchased by Hochelaga Cotton Mig. Co. in 1889 and the tusiness of the two companies was absorbed in the merger which took place on the organization of the Dominion Cotton Milis in 1890



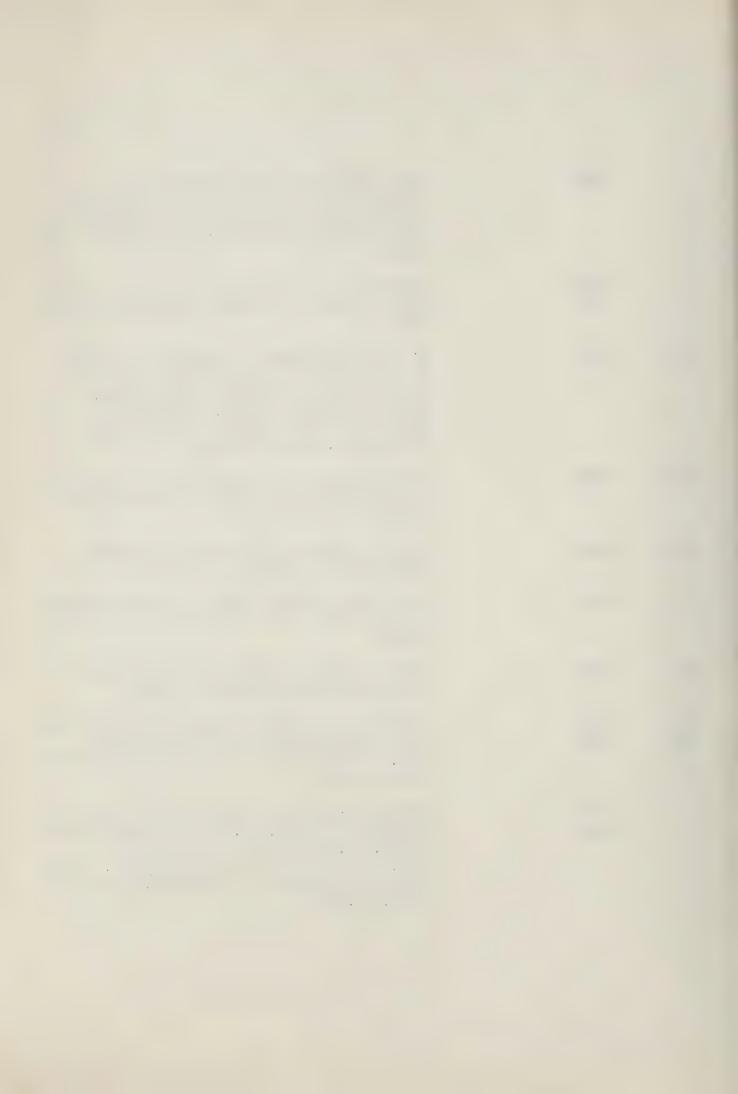
165	14354	For every three slares t at a shareholders held prior to 1878 he would now hid 15.20 shares
165	14354	Dominion Cotton Mills paid dividends from 1890 to 1892 of 10%, 8% from 1893 to lest quarter of 1895; 6% from 1895 to 1902
165	14355	Profits on Sales of Dominion Cotton Mills, 1894 to 1904
128	14358 14361 14362	Amalgemetions and morgers of the cotton mills resulted in a masher of these mills being closed down and employment decreased
132	14363	Although Directors of Dominion Cotton Mills expressed disappointment because the 1894 tariff was 5% less than they had tried to secure the profits that year amounted to 12% on sales
132	14364	Dividends paid in 1895 amounted to 71% on the outstanding capital, but on the inflated capital it emounted to about 20%
1.33	14364	Dominion Cotton Mills in 1896 had a surplus of assets on espital of 36%
133	14365	Directors Report in 1897 again complained of competition from Great Britain and the United States and the tariff situation (Evi. p.5732)
134	14368	In spite of competition and tariff undertainty Dominion Cotton mills added to the Hochelaga Mill and improved the Magog property. Frofits on sales were 9%
154	14366	Drastic changes in the management of the Company in 1808 and C.R. Whitehead appointed Manager. Profits on sales were 11%
134	14366	Very great improvements made in moc inery and construction of the mill in 1899. Profits on sales 14.8%
135	14368	In 1900 plants at Magog, Mochelaga, Ste Anne and other points were enlanged and a By-law ratified to provide for the issue of \$1,000,000 Preference stock. Profits on sales 9.4% (Evid. p. 5742)



136	14369	
		Annual report of 191 stated that exemption from municipal taxation had been obtained at Magog and also at Hingston for 20 years. Profits on sales were 18.33% (Svi. p. 5745)
136	14370	Dominion Cottons decided not to send out a report to the shareholders as no other manufacturing company did this in 1901
136	14373	Quarterly dividend passed on Dec. 1, 1901 (Ex. p. 5747)
137	14373	Company suffered loss due to purchase of the cotton at high figures and not having sold its manufactured goods at a proportionate advance (Svi. p. 5748)
	14375	Gorden says a futures market existed at that time (1900-01) if Cominion Gottons had desired to use it
137	14375	At Board Meeting on January 29, 1962, the President of Dominion Cottons reported a proposal had been received for the acquisition of the Merchants Cotton Gompany (Svi. p. 5748)
137	14376	Shareholders report of April 7, 1902, it was stated that trade had been demoralized by reduction of prices in the American and E glish markets. (Svi. p. 5752) Management was blamed for losses and Directors asked for resignation of the management. A selling agent was appointed
136	14876	Shareholders report of April, 1903, stated results for the year had been very satisfactory. Profits on sales em unted to 8% (Etid. p. 5764)
158	14377	Meeting of cotton mill representatives called by Mr. Glouston "with a view to bringing about a better relationship between the three companies which are now competing with one another" (Evid. p. 5755)
139	14378	Shareholders report of April 28, 1904, stated that the result for the year had been very satisfactory. Profits on sales amounted to 7.6%
	14379	Six members of the Syndicate out of 16 were shareholders of the constituent companies



	1A383	Companies were complaining ab ut the large importations from Great Britain they were experiencing the high water mark of sales in Canada
	14365 14410	Percentage of profits on sales is not a firm basis on which to reckon a company's prosperity
139	14384	At Directors Meeting on December 14, 1904, the proposal of a Syndicate to acquire the capital stock of Dominion Cotton Mills.  Merchants Cotton Company, Montacreacy Cotton Mills and Colonial Bleaching and Printing Co. was put forward
140	14384	The Syndicate was composed of 16 men and was organized for the purpose of incorporating Dominion Textile Go. Ltd.
140	14431	Names of members of Syndicate and amount subscribed by each (Rvo. p. 5621-2)
	14385	S.H. Ewing persuaded abareholders of Montreal Cottons not to sell their shares to the Syn- dicate
148	14386	Prices offered by Syndicate for chares of the four cotton companies (Ex. 329)
143 166	14388 14453	Mambers of the Syndicate subscribed \$1,000,000 to the Syndicate for which they received \$500,000 in Preferred Stock and \$5,000,000 in Common stock
	14369 14391	Dominion Textile Company entered on its books as goodwill the \$4,500,000 difference between the \$5,000,000 of Gommon Stock and the \$500,000 paid for it by the Syndicate. This amount for goodwill was subsequently reduced by \$2,100,000



	14930		Classed says that no assets in excess of \$2,000,00 were written off by Demision Textile prior to 1910 and that the amount was \$350,000
	14931		A substantial portion of the \$2,100,000 goodwill grown on the books of Dominion Textile Co. had been grown on the books of Dominion Company
	14392		Dominion Cotton shares were carried on books of Dominion Textile Company at \$1,500,000 the amount of the securities issued for them
	14392		Tarms of the Syndpate Agreement.
143	14393		As the Royal frust Company was not siccess- ful in obtaining 100% of the stock of the Dominion Cottons or the Merchants Cotton to., Dominion Textile Co. got around the difficulty by resting these two mills at a restal suffi- cient to pay 4% on the capital of the companies plus bond interest
143	14394		Shareholders of Dominion Cottons entered a lawsuit against Dominion Textile which eventually reached the Privy Council. The decision of the Privy Council was in Tavour of Dominion Textile Company
144	14398		Provisional Directors of Dominion Textile Company
144	14395		First Annual Meeting of Dominion Textile Company held on May 31, 1906. (Svi. p. 5853) One of the adventages of the amalgamation pointed out to skareholder was that the Company could manufacture different lines of goods at the milk best adapted to produce them, thereby getting longer runs of cloth and saving on the constant changing of looms
144	14396	1769CH	\$200.00 was spent for betterments and repairs and taken out of expenses (Evi. v. 5856) at this time there were no regular write-offs for depreciation and the Company's method was to write certain botterments off profits
146	14397		At Annual Meeting of May 30, 1907, the Chairman stated invectory valuaties "had been taken on a very conservative basis" to meet the possibility of future alumps

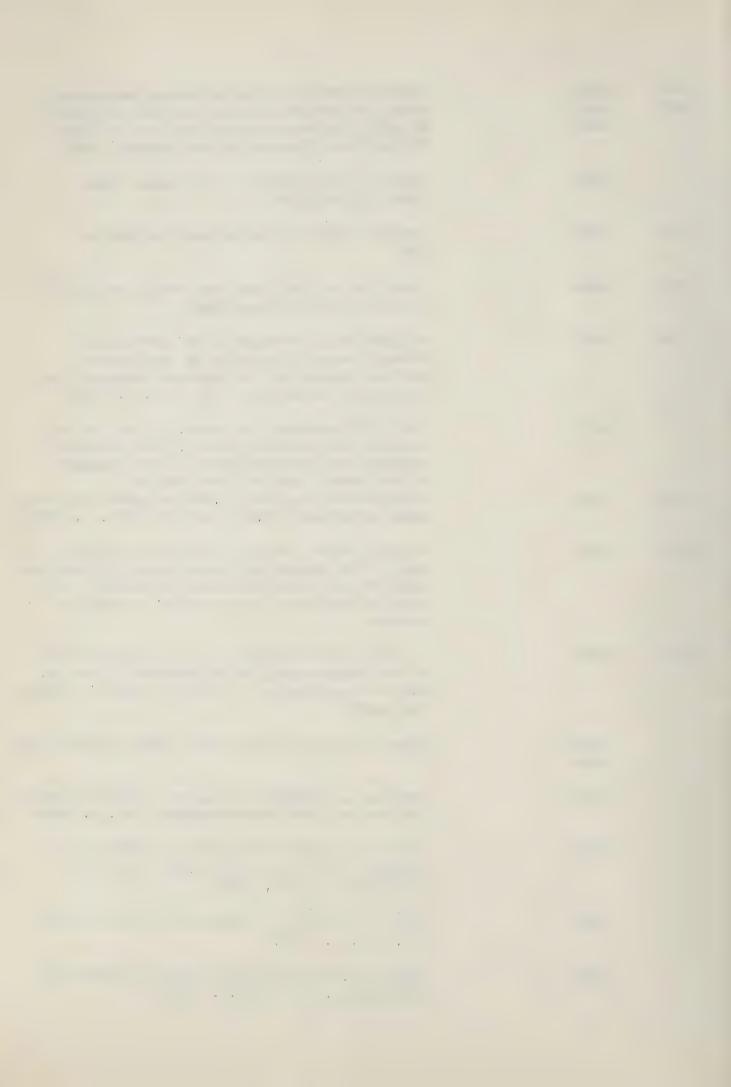
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	14399	Chairman also stated "these have been very prosperous times for the cottonbusiness" who reas in 1904 they conclaimed about competition from Great Britain and the Preferential tariff. The bad times apprehended under a low tariff did not come
145	14400	at angual Meeting hald in May, 1908, it was reported that \$850,472.78 had been spent during provious three years for repairs, improvements to plants, and new machinery, all this amount being charged to working expenses and no increase made to fixed assets (These plants did not require as much money to keep them up before there was an income tax)
145	14401	owing to business depression and low tariff, Company stated it had been necessary to operate mills on short time and reduce wages. This brought about a strike (Evi. p. 5864)
146	14401	Original investors at this time (1908) received \$250,000 in dividends on the Co mon Stock for which they paid \$500,000 in 1905
	14403	Sumber of workers employed for each year, as shown by Minu e Book, is only an approximate figure
1.46		At Annual Meeting of May 27, 1909, the Chairman stated that the strike had been cettled and that mearly all the hands had returned to work at Magog
147	14403	At Annual meeting of May 30, 1910, it was stated that the capacity of the Magog Frint Works had been increased thereby centralizing all the print ing at one place and reducing operating and other expenses (NV p. 5672)
147		In September 1910, Dominion Textile leased from Consider Cottons the Mount Royal Spinning Mill for 10 years with an option to purchase
149	14004	At 1912 Annual Meeting it was st ted that the Company had orders on hand sufficient to keep the mills operating at full capacity for some time
148	14404	At 1913 Annual Meeting it was reported that a new mill had been erected at Magog; 300 addi- tional looms installed at the Mount Royal Mill and an extension to the Ste Asne Mill was under construction

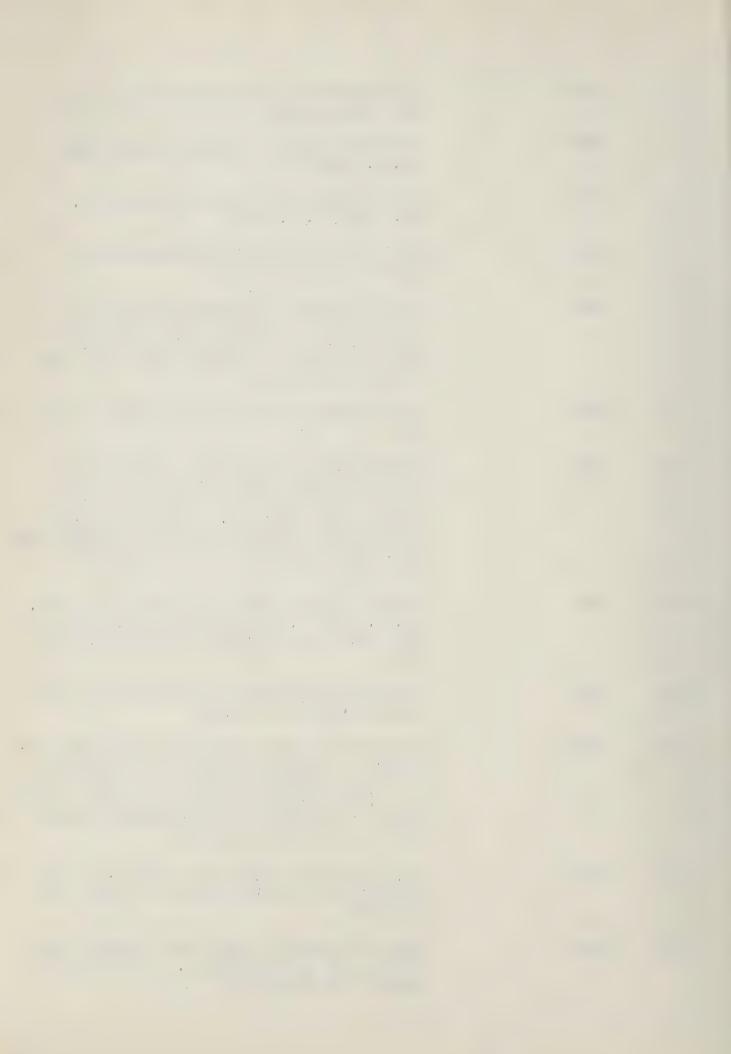
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148	14405	At 1915 Answal Meeting the Chairman stated that since the cutbreak of the war the Company had aided a large number of lines not previously made in Canada
149	14406	In 1917 dividends were increased from 6% to
150	14407	In 1918 considerable business was received from the United States due to war orders
150	14408 14410 14411	In 1919 it was reported that the supply of labour had improved and that a pension fund system was to be insugurated
155	14421 14445	
151	144099	mages were 50 to 100% higher than in 1914
	14410	The price of raw cotton in 1919 was 40¢ per pound
151		Mount Royal Mill purchased by Dominion Textile Co. in 1920
151 175	14495	Cost of equip ing a cotton mill with automatic looms in 1914 was \$30.00 a spintle or \$1200 per loom. Cost in 1920 was \$65. O per spindle or \$3400 per loom
151		Addition made to Pagog Mill increasing its capacity from 64,000 spindles to 93,000 spindles
152	14409	Chairman stated at 1920 Annual Meeting that the reserve which had been set up was ample for all purposes (Ev p. 5900)
152	14412	By May 1921, the business of Tomision Tertile Common was concentrated at seven points :- Montmorency, Magog, Mochelega, Merchants, Mount Royal, Verdun and Ste Anne-plants at Halifax, Windsor and Moncton were closed (Fv. p. 5904)
152	14413	A bonus of \$35,000 was paid to Sir Charles Gordon and \$7,000 to Sir Herbert Hold in 1921 (Ex. p. 5905)
153	14414	Annual Report of 1923 stated that prior to the rise of approximately 10% a pound in raw cotton in September and October 1921, the commany had purchased several months supply and that had
		contributed to the sutisfactory mosults shown

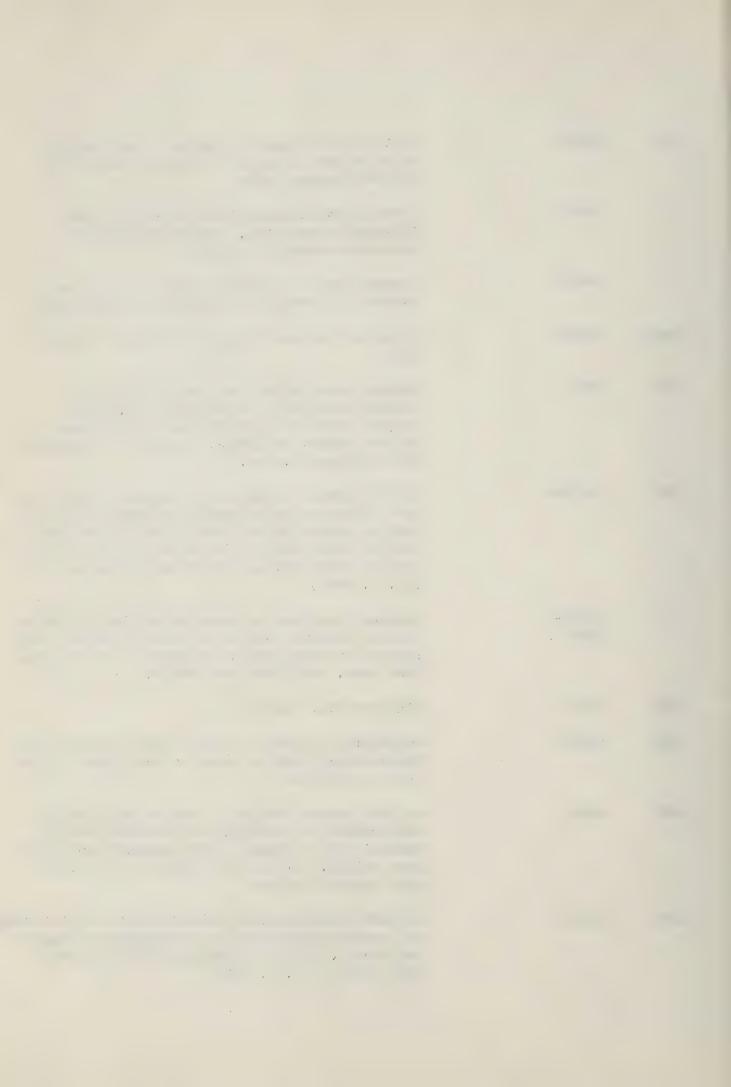
155 155	14417 14420 14421	Although Dominion Textile Company complained about the tariff reduction in 1922, in 1923 it split its shares three for the and paid \$600,000 in dividends on the Common Stock
	14418	Record of dividends paid on Common Stock from 1919 to 1923
154	14419	Dominion Textile Company re-organized in 1922
154	14419	From 1005 to 1984 Dominion Textile paid 25% in dividends on Common Stock
154	14419	At 1924 Annual Meeting it was at ted that strong financial position of the Company was due largely to the increased value of the properties acquired in 1905 (Evi. p. 5930)
	14420	When 1920 appraisal was made, if the Company had really earned its profit, they were increasing the capitalization on the strength of the profit that had been carned
155	14421	Pension Fund required \$7,000 per ansum for past seven years and \$10,000 for 1924 (Evi. p. 5938)
155	14421	At 1925 Annual Meeting the Chairman pointed out that of 97 Lancachire Cotton Spinning Com as ies only 57 paid dividends amounting to 126, the other 40 companies being unable to make any payment
156	14488	At 1926 Annual Meeting it was stated that 50% of the imports could be eliminated if the Co. had the opportunity of working under an equitable tariff
	14423 14432	Imports of cotton goods into Camada during 1926
	14427	Stevenson, Blackader & Co., were selling agents for the Dominion Cotton Company (Evi. p. 5764)
	14427	Letter from Royal Trust Company offering to purchase the shares of Montreal Cottons was received on May 30, 1905
	14427	List of Directors of Montmovency Cotton Mills Ltd. (Ev. p. 5823)
	14428	List of Directors of the Colonial Bleaching & Printing Co. 1904 (Evg.P. 5840)



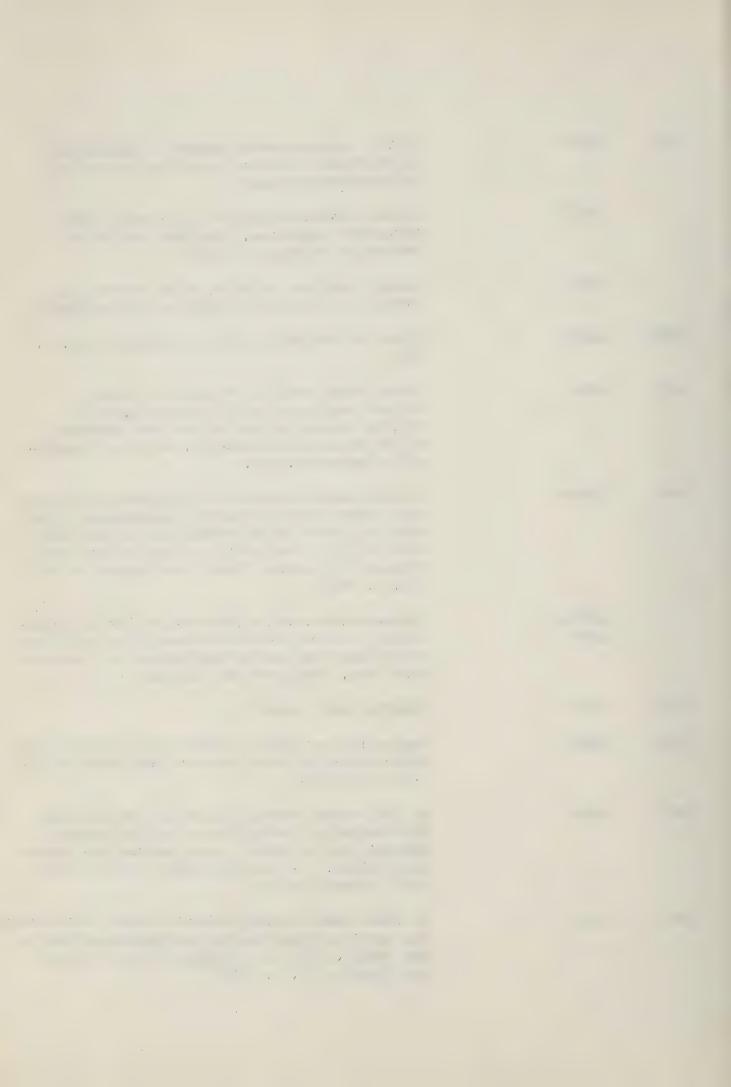
	14428	List of Directors of Merchants Cotton Co., 1903 (Ev. p. 5788)
	14628	List of Directors of Dominion Cotton Mills (Ev. p. 5744)
	14429	List of Directors of Dominion Textile Co. Ltd. 1905 (Ev. p. 5770)
	14429	There was no duplication of Directors on Boards of these emapanies
	14431	Dominion Textile held between 12,000 and 13,000 shares of Montreal Jottons from 1925 on, but it was not until April 1930 that they secured over the 15,000 shares required to give them control
	14433	List of Directors of Dominion Textile Com eny
156	14434	At Montmorency a considerable addition was made during year ending in May 1927 and machinery was revemped and re-aligned which reduced operating costs. At all other mills considerable machinery was added throughout theo year. There were few cards left that were ten years old
156	1.4434	Average life of a card is from 30 to 40 years. (Ev. p. 5949) (This should be considered when going into the question of excessive depreciation)
156	14435	In 1927 it was decided to add eight additional printing machines at Magog
156	14435	Complaint was made in 1927 that the tariff pro- tection was not equal to the actual difference of labour in Camadian mills and the Lancashire mills (Protection now enjoyed by Camadian mills is more than their whole percentage of labour costs in different instances)
156	14436	During last six months of the 1928 fiscal year production of all mills had been reduced from 75 to 50%
157	14456	During the yearthe Tariff Board reviewed condi- tions in the cotton industry. Tariffs had been reduced from 25% to 75%



157	14437	In 1928 a considerable number of extensions to plant were made and a building added to the Montmorency plant
	14437	Although mills complained of insufficiency of tariff protection, they kept adding to productive capacity of mills
	14437	Bruneau says new building being erected at Cornwall by Canadian Cottons is a warehouse
14438	14439	Effect of mechanization on employment (Ev. p. 5957
157	14439	Common share capital of Dominion Textile Company increased in 1929 from 225,000 to 380,000 shares to provide for the purchase of the Sherbrooks Cotton Co. and the Drummond- ville Cotton Co. Ltd.
258	14439-A	At 1930 Annual Meeting the Chairman complained that there was no effective application of the dumping clause in the tariff nor any attempt made to apply the British content clause to the British Preferential Tariff on British cottons (Ev. p. 5963)
	14439-8 14440	Although the textile industry had had an oppor- tunity to prove before the Commission that the- re has been any lack of enforcement of the cus- toms laws, they have not done so
150	14440	Eineston mill closed
158	14440	Suggestion was made at 1930 Annual Meeting that there should only be three or four ports of entry for textiles
159	14441	At 1931 Annual Meeting it was stated that the Government had partially revised the cotton schedule and afforded a very welcome and necessary relief. It was also stated that prices were extremely close
159	14441	At 1932 Annual M sting Daniels at ted that during the previous three months the Covernment had taken steps to stop the dumping of cotton goods into Canada (Ev. p. 5971)



14443	A tariff is not designed to preserve the home- merket fro manufacturers, as was contended by Daniels in 1952. (Ny. p. 5976)
14443	At 1933 Annual Meeting it was stated that plants had been kept in excallent repair and improvements in machinery or manufacturing methods that might tend to increase the manufacturing efficiency of the mills and lower cost of production had been adopted
14444	Dividend on Common Stock was reduced from \$5.00 to \$4.00 per share and wages 10 to 20% in 1933 (Ev. p. 5979)
14444	Common Stock dividend restored to \$5.00 a share and wages increased by 5% in 1934
14444	1934 was one of the batter years for the Company in the way of profits but Company still compleined about competition from Great Britain
14444 14460 14461	At 1935 Amnual Meeting it was stated that duties were too low in 1935 and that the protection given the impustry in 1930 was the minimum it could get along with
14445	\$75,154.75 was paid in pensions to retired em- ployees during the past year (1934-35) bringing the amount paid since 1923 up to \$565,997.14
14445	Company stated that for many years it had been taking proper steps to safeguard the position of employees and their function in sickness, death and old age (Evi. p. 5986)
14445	Group Life Insurance was put into effect in 1935 providing insurance of \$625,000 on the lives of the employees (Er. 25)
14446	Accident and Sickness insurance is in effect in certain plants where workers in sufficient numbers have signified their interest, the Company paying part of the cost
14446	At 1936 Amoual Meeting the amount of taxes paid by the Company is emphasized and it was stated it represented \$42.00 per share on the Company's Preferred issue (Ev. p. 5990)
14446	Somiaion Textile Company states that due to tariff reductions in 1936 it may be impossible for them
	14446 14446 14446 14446 14446 14446 14446



159	14443	A tariff is not designed to preserve the home- market fro manufacturers, as was contended by Daniels in 1932. (My. p. 5976)
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160	14444	Common Stock dividend restored to \$5.00 a share and wages increased by 5% in 1934
	10446	1934 was one of the baller years for the Company in the way of profits but Company still complei- med about competition from Great Britain
160	14444 14460 14461	At 1955 Annual Meeting it was stated that duties were too low in 1935 and that the protection gi- ven the insustry in 1930 was the minimum it could get along with
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161	14446	At 1936 Amoual Meeting the amount of taxes paid by the Company is on hasized and it was stated it represented \$42.00 per share on the Company's Preferred issue (Ev. p. 5990)
161	14446 14468	Cominion Textile Company states that due to tariff reductions in 1936 it may be impossible for them
		to pursue their previous policy

161	14447	According to the Company, the loss involved in producing goods on the former scale a large proportion of which may now only be sold at prices below the cost of production is more than even its sound Balance Sheet position can be expected to stand without danger of grave impairment in a comperatively mort time, and curtailment of operations may be necessary
	14446	In December 1936, Dominion Textile Co. was able to increase its wages on account of the increa- ged volume of business in the last few months
168	14449	Between 1874 and 1934 the business of 17 cotton companies has been amalgameted into the Domision Textile Co. and in 1930 it obtained a controlling interest in Mentreal Cottons Limited (Ev. p. 4854)
162	34449	In the process of emalgametica 10 mills have been closed
	3.4449	The nine provinces of Canada pay the subsidy to tariff protected industries but only two provinces really benefit by it
162	14451	when certain of the mills were closed, other plants were enlarged in other centres to concentrate manufacutre
166	14452	Capital earnings of Dominion Textile Co. 1906 to 1936 (Ex. 917)
168	14453	No new capital was brought into Dominion Textile Company between 1906 to 1922
166	14453	In 1923, \$2,500,000 new capital was added
167	14454-A	Total dividends paid on original Common Stock between 1923 and 1928 amounted to \$4,050,000
167	14453	In 1929, \$5,375,000 new capital was brought in (Ev. p. 5959)
168	14463	Amount of dividends paid per anaum from 1923 to 1936 on subsequent issues of stock amounted to \$6,276,456.75
	14454	19,240 Preferred Shares were issued, 5,000 going to the members of the Syndicate and 14,240 to the shareholders of the old commanies to acquire their shares

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	14455	Shareholders of the old communies were not informed that members of the Syndicate were to receive \$5,000,000 in Common Stock for the \$500,000 they subscribed (Ev. p. 6011)
186	14458	Amount of dividends paid per annum on Common Stock, 1908 to 1922
166	1.4459	During first 17 years of operation (1906 to 1982) \$4,975,000 was paid on original investment in Common Stock of \$500,000
168	14463	Total dividends paid from 1929 to 1936 on original investment of \$500,000 amounted to \$5,812,500
108	14463 14468 14508 15047B	Total dividens paid from 1906 to 1936 on original investment by members of the Syndicate amounted to \$14,837,500, or an average annual rate of 98.4%
	14463	If Dominion Textile Company had paid only a reasonable return on the original investment of \$500,000 it would never have been necessary to get in any additional capital
168	14464	Then weges were decreased by 10% during the year anded March 31, 1934, the Common Stock dividend was reduced by 20%. While this mpre-cented a saving in wages of \$434,000, \$600,000 was paid in 1934 on the \$500,000 originally invested in Common Stock
168	14464	The dividend record does not disclose the whole story of the profits earned on the common Stock issued to the members of the Syndicate
169	14465	Method of approach to determine the actual value of the Company's assets
169	14467	Total assets in 1936 as sown by the Company's books, \$27,307,991.00
170	14468	Total return in 30 years on the original \$500,000 investment amounts to about \$29,000,000
173	14470	Amount charged to profits for depreciation 1905 to 1936 amounts to \$22,943,471 and to equipment and repairs, \$12,492,186.92
170	14470	based on the 1936 appraisal, the amount written off to depreciation in excess of the amount required to take care of reasonable wear & year (not provided for out of earnings) and obsolescence amounts to a secret reserve of profits

amounts to a secret reserve of profits

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178	14471	By carrying on its books at \$4,000,000 a plant value of \$21,000,000 a secret re-
180	14507	serve of profits amounting to \$17,000,000 is set up
171	14479 14479	1936 appraisal, exclusive of land, sub-structures and excevations, was \$20,100,177. Including lands and sub-structures \$22,183,633 (Ev. p. 12657 and 12638)
	14478	Heward says the 1920 appraisal and not the one made in 1936 is the appraisal which should be used
1.78	14473 14504	Dominion Textile will not aimit that the plants are worththe value put on them by the 1936 appraisal (Ev. p. 13797)
	14475	Cordon says insurance was placed in the United States because they could not get it any place else when they started
	14476	1936 Insurance appraisal of Mochelaga Branch (Ex. 1826)
171	14479	Company's records show to assets of the Company charged into the books over the period of years at \$41,679,277.06 (Ex. 917, p. 8)
	14480	Heward says this figure of \$41,679,277.06 should be \$38,686,867.96 as shown in Ex. 1232
171	14481	Mal, 879, 277.06 arrived at by taking into the books the figure at which the plant and machinery stood on the books of the predecessor company, regardless of the price which the Company paid for them
172	14401	The excess of the book value over the purchase price received by the predecessor Company is \$2,191,261.37 (Ex. 917, p. 8)
	14482 14486 14501	Heward challenges the principle and also the securacy of the figures used by the Commission
173	14482	Company transferred \$3,655,109.91 from Goodwill account to Fixed Assets account
178 175 178	14484 14494 14503	Commany wrote up its assets in 1923 by \$7,500,000 on the basis of the 1920 appraisal. Glassco says that this was a revaluation because of increment in values and not because of overde-
175	14494	on the basis of the 1920 appraisal. Glasso says that this was a revaluation because of

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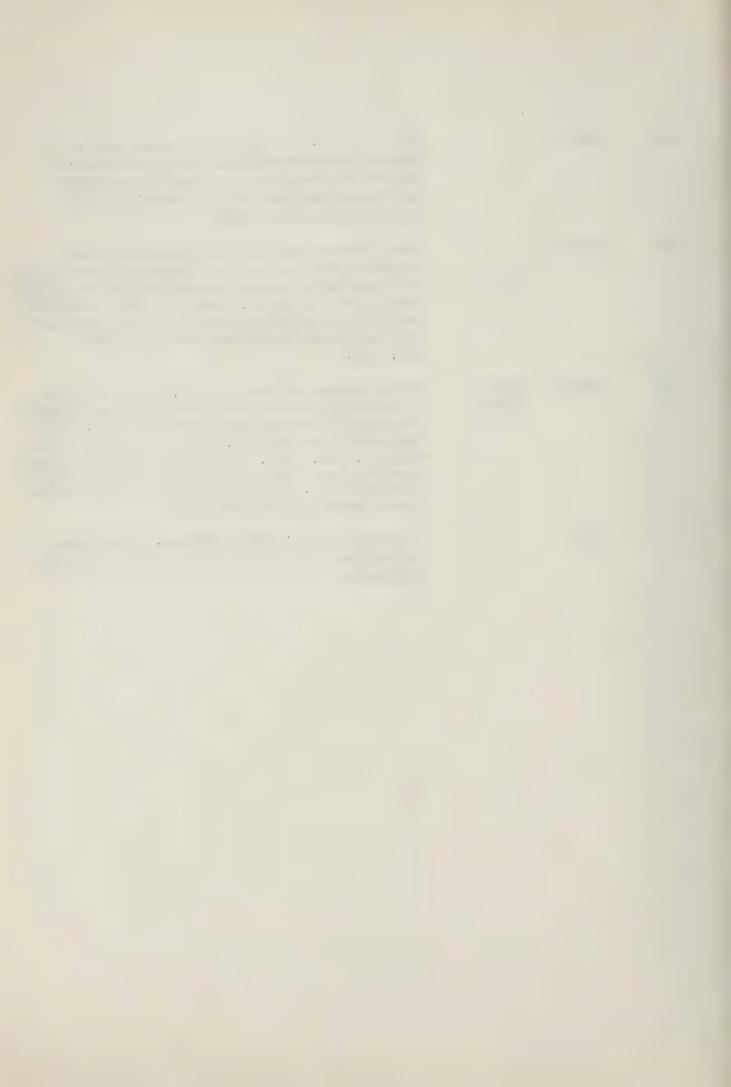
	14485	Improper for a company of issue stock on the basis of the book value for all time of build-ding and machinery right after the war and then leave the public to pay dividends on the stock issued in that way
172	14485	Total inflation in book values amounted to \$13,254,371.28 leaving the actual amount paid by the Company for these assets, \$28,484,855.78
172	14486 14491	Amount written of: for depreciation from 1905-1936 totals \$19,865,990.66. This, with other amounts written off, amounts to \$23,506,950.95 and leaves the unabsorbed protion of the fixed assets as of March 31, 1936, on a cost basis at \$4,917,904.63 (Ex. 917.p. 8)
	14487 14501	Heward says figure of \$4,917,904.83 should be \$6,335,057.08
172	14487	On the basis of the 1936 insurance appraisal the value of the plant is now \$22,183,633
172	14487 17699 H 17700 H	\$17,265,728.17 appears to be a secret reserve of profit in which are the amount charged for depreciation, repairs and betterments has been excessive to this extent
173	14468	Classeo says there had been no overdepreciation up to 1920, but would express no opinion after 1920
173	14489	Between 1905 and 1920, the physical assets acquired in 1905 adm worth \$11,000,000 at that time, doubled in value through a steady program of yearly replacements and betterments combined with the natural appreciation in values of all kinds
173	14489	The offective depreciation written off up to 1924 amounted to .9,400,156.43 and during the same period the Company spent \$6,926,746.40 on repairs to buildings and machinery
173	14490	Comparison of values shown on the 1920 and 1936 appraisals
174	14491	1936 appraisal values the Company's physical assets, exclusive of head office building, at \$21,128,836

	14493		Heward says "book values" should be ealled "depreciated costs"
174	14493		Comparing the present book value of
179	14504		\$4,917,904.00 with the 1936 appraisal figure of \$21,126,836 leaves a surplus of \$16,210,932 to which should be added the value of the land and sub-structures
174	14494		The Company objects to this basis of calculation and claims that the valuations as placed on the books at the time of the original purchase were justified because they were the name values that appeared on the books of the original companies and were paid for in stock by Dominion Textile Company on this basis
175	14494	17700 17704 17786 17754	1956 appraisal was taken on the values of the plant and machinery prevailing at that date but there has been an average drop in values as between 1920 and 1956 of 40% of the 1920 figures
176	14496		Price indices prepared by Dominion Sureau of Statistics on "Building and Construction" costs and the cost of "Iron and its Producte" show a drop in 1935 as compared with 1930
176	14497		The only fair comparison with the 1936 aptraisal is to reduce the values set up on the books on the basis of the 1930 appraisal with all the additions since to the values prevailing in 1936, i.e. by 40%. This would make the present walue \$12,800,746 instead of \$21,354,577
177	14497 14500 14505 18919	17702 17726 17728 17747 17751 17754 17756	Comparing the 1920 appraisal with the 1936 appraisal, there appears to be undisclosed profits of \$15,179,238, during the periof from 1920 to 1936, created by everdepreciation and betterment and repairs charged to profits
	14502	In the case	of Montreal Cettons a large amount of wages for repairs in revemping the plant were charged against the ordinary payroll, 33% of which was charged against capital expenditure
178	14503		Frior to 1920, the total amount of additions capitalized were less than \$2,000,000

178	14503 19055	17767	Furing the same period plant and machinery was written off to the amount of \$9,900,032.92 The cost to the Company of this plant and machinery was \$12,624,502.52
180	14508		Statement filed by Classeo shows the ever ge annual earnings of the invested capital, however produced, has amounted to 9.18 (2x. 1332 p. 3)
180	14506	17816 17804 17807 17876	Of total invested capital of \$17,983,218.22, \$1,940,600 was invested by preferred stock-holders, \$500,000 by the original subscribers to the Syndhote, \$5,875,000 by subsequent subscribers for the on stock and \$9,667,618.22 is profits earned from what has been referred to as a private power of taxation vested in the Compenny (Ex. 1232)
180	14509	17804	Classee claims that Company lost \$615,683.36 in 1933 but this was incurred by the transfer of \$1,000,000 from Surplus Account to cover losses made on investments in other companies (Ex.1232)
180	14599	17807	Glasses, in his statement, makes no allowance for the secret inventory reserves or fer other secret meerves arising by reason of charging to operations amounts in excess of proper decreciation and amounts for betterments and repairs which should have been capitalized
181	14512	178 <b>7</b> 5 18850	Table showing position of Dominion Textile would have been in had the Company paid all the bond interest according to its obligation, the preferred stock dividends and common stock dividend over a period of 30 years on the amount originally invested in the common stock at 20% per annum
183	14513		On this basis the consumers of Canada have said in profits sufficient to pay back to all investors the whole of their investment, pay all the interest on bonds, preferred dividends and dividends on the common stock at the rate of 80% per annum on the money actually invested; pay for the entire buildings, plant and machinery and give to the Company a fund available for outside investment amounting to \$84,000,000 all in a period of 30 years
185-A	14695	15061B	Graph showing relative value of earnings and relative value of wages paid

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198	14561		Record of four large cotton companies in Canada is substantial proof of the benefits the cotton manufacturers have derived from the protective tariffs in force in Canada during the last 60 years
199	24582		From 1926 to 1925 all the companies taken together have made profits and have gone through the depression period without any substantial impairment of assets. They have all been able to pay substantial dividends on the money invested when bonus stock has been eliminated (Ex. 998)
199	14582	17889 173:22K	Table showing return in 1938, 1934 and 1935, on total investment in operation after eliminating goodwill - American compasies (Ex. 1291) Canadian Companies (Ex. 998) and Dominion Textile Co. (Ex. 917). This table indicates that Canadian companies with the tariff protection they have had, have been able to make a better return than the American mills
	14536		During the same period (1933-4-5) very few of the english cotton companies were able to pay dividends



## CANADIAN COTTONS, LIKITED

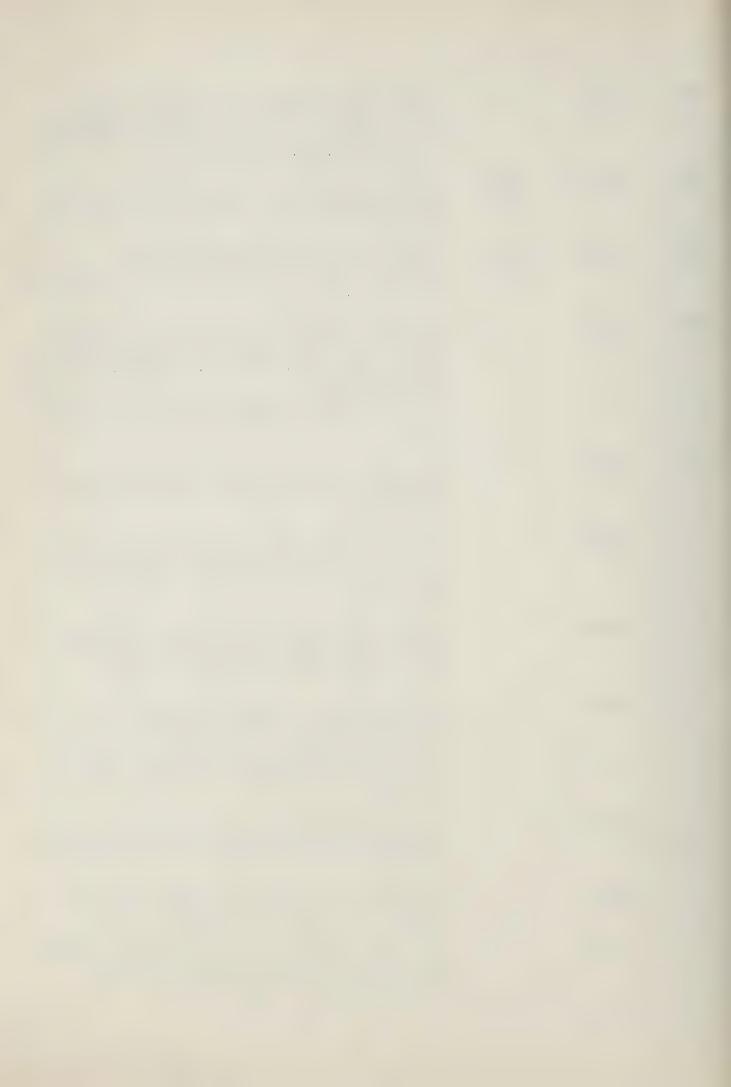
ACE IN	PAGE IN I	ENUTEAU'S	2 U B 3 R C T
184	14525		History of Canadian Cottons, Limited
184	14526	18351 18357 16365	In 1892 the Company was incorporated under the name of Canadian Coloured Cotton Mills Ltd. In 1910 the name was changed to Canadian Cottons Ltd and the capital increased
184	14527		Canadian Coloured Cottons was a merger of seven cotton companies
184	14328		Assets of these companies were acquired by the issue of bonds amounting to \$2,000,000 and common stock amounting to \$2,600,000
184	14588	18353	Promoters may have got the \$2,600,000 in com on stock
184	14529	18361	\$2,600,000 common stock was issued to A.F. Gault and David Morrice in part payment of the properties and the \$2,000,000 of bonds were also issued to the same gentlemen. In addition a group of five men subscribed \$20,000 each making a total of \$100,000 for common stock (Ex. p. 6064A)
184	14529	18352	It was provided that where the current assets of the merging companies did not reach the value t at had been put on them in the agreements the promoters were to return to Canadian Coloured Cotton Mills Ltd the difference in bonds. \$240,000 worth of bonds were returned to the Company
1.85	14530 14533	18354	From Minute Book it appears that \$250,000 bonus stock was issued on acquisition of the Canada Cotton Mfg. Co. Ltd.
	14550	18355	Shereholders of Canada Cottons received in each \$565,000 but bonds were assumed by Canadian Cottons Ltd to the value of \$300,000 and \$475,000 of liabi-lities
185	14533		If bonus stock was issued in espect to Canada Cotton Mfg. Co. it was probably issued on the acquisition of the other companies

185	14533		Dividonds paid on common stock between 1892 and 1910; the surplus by 1910 amounting to \$1,675,587.68
188	14534		Canadian Cottons was inco-porated in 1910 and the capital increased to \$8,000,000- \$4,500,000 being preferred stock and \$3,500,000 common stock
136	14584		In1910 Canadian Cottons acquired the Gibson Cotton Mill Co. Ltd. and the Mount Royal Spinning Co. Ltd.
186	14536		Then merger was completed the total capitalization of Ganadian Cottons Limited was \$9,940,500
188	14536		\$2,000,000 of Common Stock was issued to a Symiler- te as a bonus for the sale of the preferred stock of Canadian Coloured Conton Mills Ltd. (Ev.p. 8044)
	14837		Bruneau says this \$2,000,000 of Common Stock was fully paid stock
187	14540		No cash or equivalent asset came into the Company for the \$2,000,000 Common Stock
	14541		The Syndicate acted as trustees for all share old- ers and made ac independent wrotit on the deal
	14542		No additional capital was brought into the business for the common stock that was is sued
187	14542		Through the exchange of com on stock held by the shereholders of Canadian Coloured Catton Mills Ltd. for preferred stock in the new company a capital surplus of \$675,000 was created. This, together we with a charge of \$1,325,000 to the surplus of the old company offset the part value of the common stock and carried into the new company an undivided surplus of \$348,387.63
187	14544 14545	1835 <b>7</b> B	The Consolar Cottons Ltd started business in 1910 The 1950 Called the Cottons published the controlling interest in the Commall and York Cotton Mills Ltd.
187	14545	180868	From 1892 to 1936 the total net revenue available for shareholders amounted to \$15,380,630.61, of which there was paid out in dividends \$9,778,737.57 (Ex. 917, p. 5)

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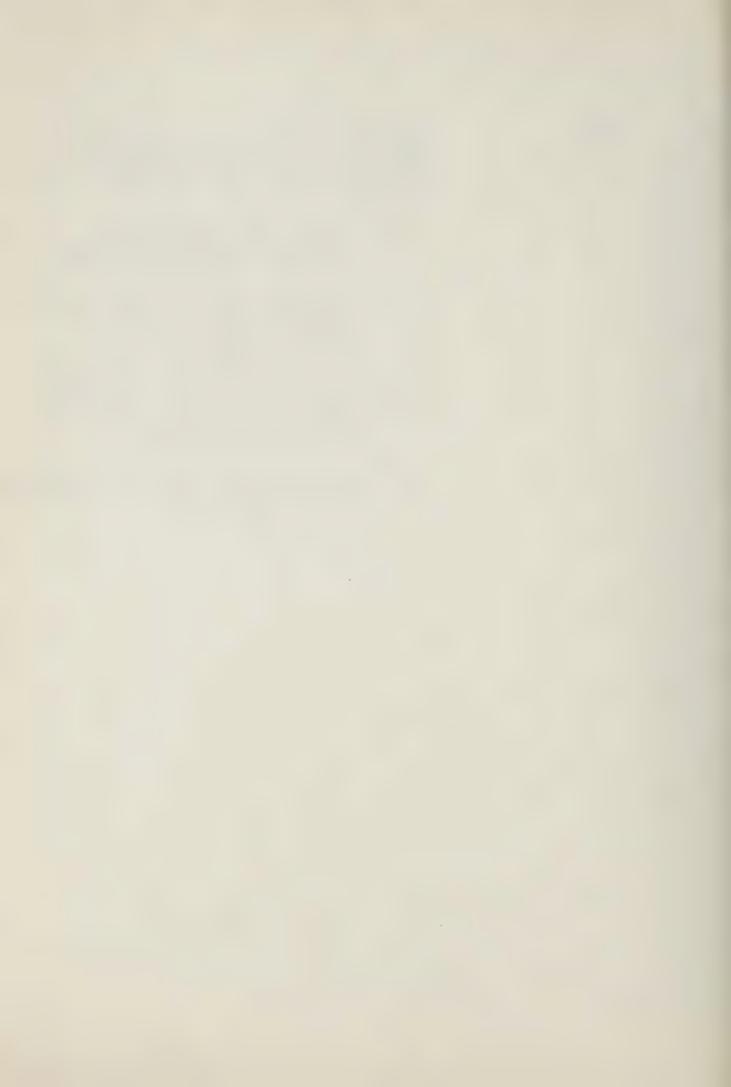
187	14545		Depreciation charged to operations, 1892 to 1936, amounted to \$12,625,938.98 and repairs and improvements charged to operations amounted to \$9,041,626.01 (Ex. 917)
188	14546	18385 18387	Company has earned for the shareholders since 1892 \$24,560,804.50. Bruneau says this is not correct
188	14546	18371B 18375B	Original investment was not more than \$3,930,130 according to are Edwson's calculation Ex. 917, p. 3)
188	14547		Canadian Coloured Cotton Mills Ltd. complained annually of insufficient tariff protection (av. p. 6078,6080,6081,6084,6088,6091,6111,6116,6181,6186,6129)  Canadian Cottons remed these complaints each year from 1923 to 1936, with the exception of 1931
188	14547		The record of carmings do not justify the complaint nor the increased tariff protection since 1930
	14548		It is unfortunate that the consideration for which the original common stock was issued is not available, as there is always a certain pyramiding
	14 548		Bruneau says there has only been one change in capital structure of the Company since 1892 and that was imposed on it by the Bank
	18720		Letter from A. C. Dawson to W.M. Moore, Chairson of Tariff Board, detail one ber 12, 1927, setting out the protection which Dr. Dawson considered the cotton industry should have against the United States (1:, 492, vid. p. 7253)
	18728		Table showing difference in cost of production of cotton goods is Gama's and the United States (Ex. 492)
	18735		Comparison of working hours in Canadian and United States Mills (Ex. 492)
	18740		Ane ican competition in cotton code is pretty well shut but and the competition is from Great Britain (Ex. 492)



18744

To enable the Canadian mills to secure a larger share of the country's business in cotton goods, Dawson made the following requests in Schibit 492:-

- (1) That the dumping clause should be enforced by skilled appraisers operating in fewer ports of entry
- (2) That a permanent Tariff Beard be appointed and that when certain lines of foreign goods are being sold in Canada at prices below cost of production the invoice value of such goods may be increased for duty purposes to a figure considered as representing the actual or real cost of said imports
- (3) That the duty on British octton goods shall in no case be less than 25% of that of the General Tariff

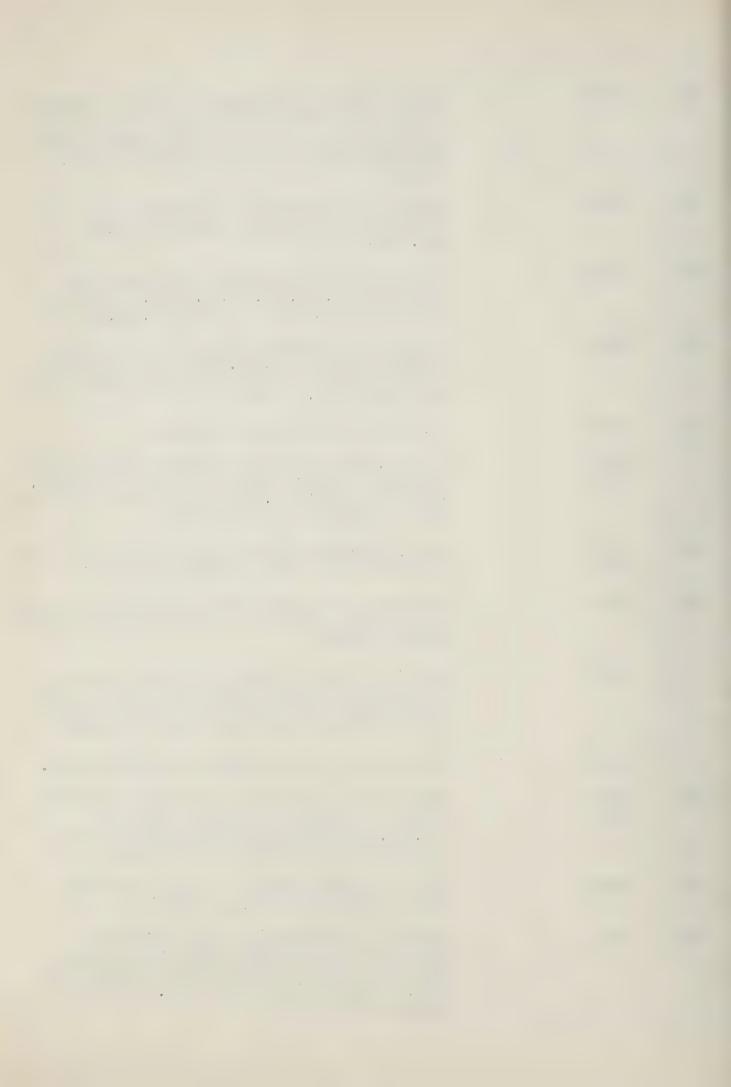


## MONTHUAL COPPONE LIMITED

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188	14549	History of Montreel Cottons Limited
188	14549	Company was incorporated in 1874 with a capita- lization of w500,000 divided into 5,000 shares of \$100. each
188	14549	In 1881 a stock bonus of \$110,000 was is sued to shareholders (Ev. p. 5212)
188	14549	In 1882, the aut orized capital was increased to \$1,000,000 and \$100,000 of stock sold to sare-holders at par. In the same year a further issue of \$100,000 of stock was sold and in 1893 \$200,000 af stock was sold, bringing the capital
189	14550	up to \$1,000,000
169	14850	In 1893 the authorized capital was increased by \$1,000,000 (Ev. p. 5847)
189	14550	In 1893 the Company sold for cash \$400,000 worth of stock, in 1898 \$100,000, in 1899 \$150,000 an in 1900 \$350,000
189	14550	By 1900 the authorized capital was increased to \$4,000,000, \$1,000,000 was sold at par, brining the outstanding capital up to \$3,000,000
189	14550	In 1911 a new company, called the Montreal
190	14553	Cottons Limited was incorporated
189	14550	Dividend record from 1880 to 1911
193	14562	
189	14551	Meeting of shareholders was called on June 5, 1905, to consider an offer from a Syndicate to acquire their stock
190	14851	Summary of Commany's operations for five years (1901 to 1905) (Ev. p. 5200)
	14551	Montreal Cottons is one of the few companies tetprior to taxing legislation set up a definite reserve for depreciation

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190	14552	Letter sent to shareholders in 1905 to discourage them from accepting offer made by the Royal Trust Company on behalf of a Syndicate that had been organized to try and get control of the shares
190	14552	Some of the members of the Synlicate were also members of the Dominion Textile Syndicate (Ex. 537)
190	14552	At end of 1910 Company had a profit and loss surplus of \$2,002,610.14 (-x. 952). The basiness dame for the year was over \$3,000,000
190	14583	In 1911 a new come any was incorporated with a camitalization of 6,000,000 and two shares in the new come any were issued to every share in the old company (Ev. p. 5522)
191	14555	Dividend record from 1911 to 1958
	14554 14556	In 1930, 1931 and 1938, the Company had operating losses and reserves were drawn on for dividends. (Dominion Textile Co. obtained a controlling interest in Montreal Cottons in 1930)
192	14554 14556	Dominion Textile Company appointed selling agents for Montreal Contons on September 50, 1934
192	14054	Montreal Cottons sold a large part of its products to Dominion Textile, the price being fixed by the Coneral Manager
	14565	Dominion Textile is trying to obtain complete owner ship of Montreal Cottons at as low a price as possible; in that way pay as little dividends and buy from it at as low a price as possible
	14556	Howard says there has been no evidence of this.
191	14556 14557	The fund upon which the Company drew to may its preferred dividend from 1950 to 1934 was 11,975,000 cash received from the sale of its nower rights to the Beauharnois Company
198	14561	Cottons in May 1930 (Ev. p. 4864)
192	14661	Effects of mechanization felt in 1935 when Company had less employees but produced almost twice the value of goods that were produced in 1905. Price of raw cotton in 1903 and 1935 was practically the same

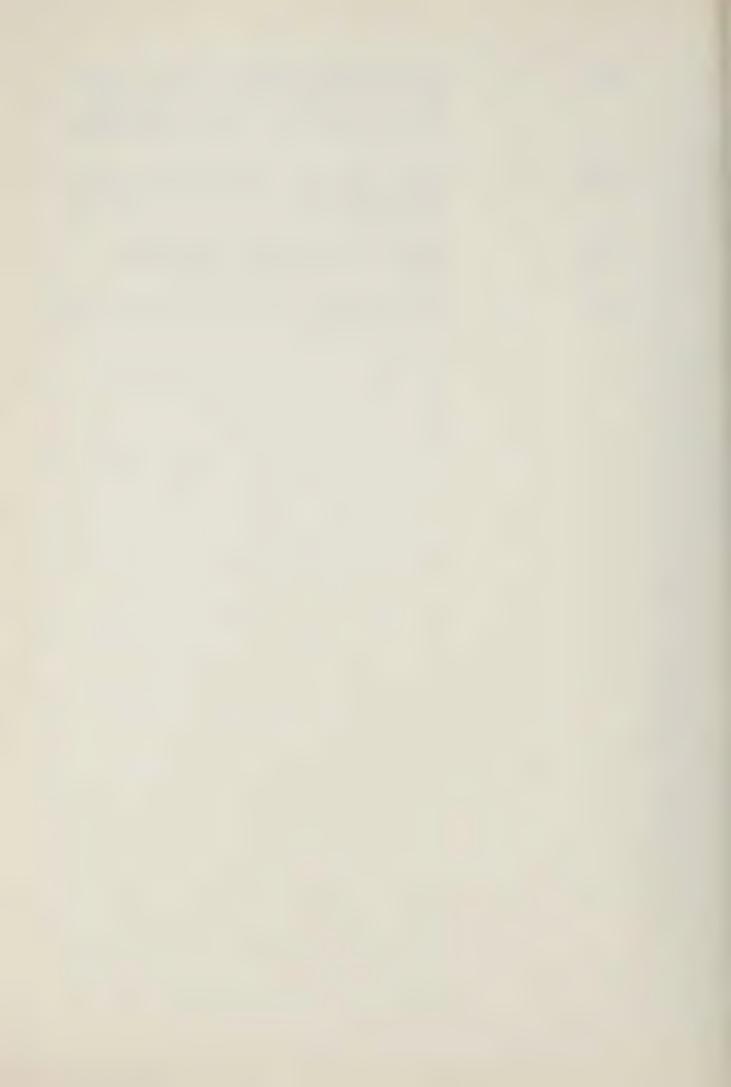


	14561	In comparing the walls of sales, it should be taken into consideration that the price of rew material may vary
193	14562	In February 1903 the Commany in the Directors Report complained about the Preferential Tariff
193	14562	Between 1903 and 1910 when the new company was organized dividents were said and reserves of the company increased by \$556,000 despite the Preferential Tariff
193	14662	In 1936 there was an apparent sirplus over the book value of the assets amounting to #2,000,000 (Ex. 917, p. 18)
193	14565	Charges for mill sumplies and equipment jumbed from 360,391.33 in 1931 to \$246,644.32 in 1935, the peak of \$341,895.05 being reacted in 1934 (Ex. 917, p. 19)
193	14564	The beavy charge for mill summies and equipment of \$249,108.62 in 1935 was incurred at a time when the mill was being revemped (Ev. p. 5429, 5431)
193	14564 14563	In 1937 out of 1950,000 spect in mechanics*  wages for remains, etc. only 935,000 was charged  to capital account (Ev. p. 15700)
	14565	Heward says that in 1931 the argus charged to Capital Account amounted to \$120,000 and in 1932 to \$132,000 (Evo. p. 13699, 13700)
	14556	Heward says that no depreciation was written off in 1926, 1939, 1930, 1931 or 1932, but that the Company started to write depreciati a again in 1933
	14569	Gordon explained that all ages are charged into Wages Account
	14569	Commany samuet say how much was capital expenditure end what it was expended for, which is an important consideration when there is an income tax to be paid on the profits of the Company
194	14570	Profits are further affected by the fact that Montreal Cottons had an inventory reserve (Ev. p. 13702)

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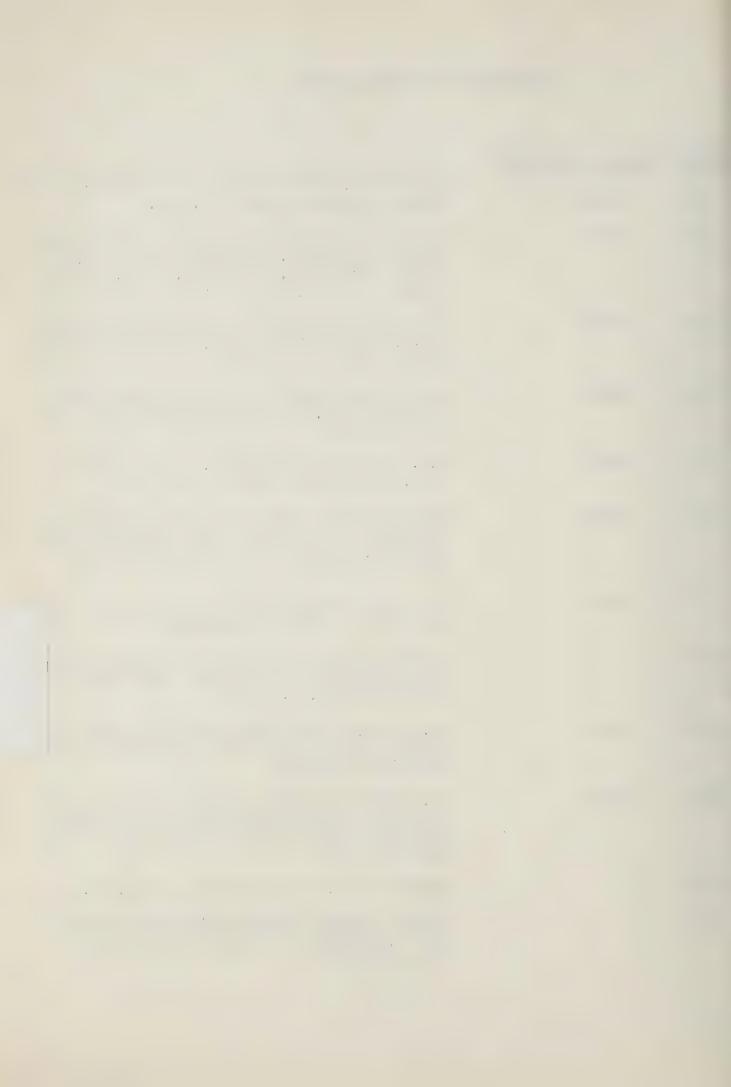
e de

14570	Inventory washet valued at cost or market, whichever was lowest, but was velued on a leaser basis, which would materially affect the profits that were shown on the Balance Sheet
14571	Heward says there is no proof that the new system of inventory valuation was less than the old system
14575	Basis on which inventories of Montreal Cottons were taken (Ev. p. 13701)
14.576	Evilence as one that the Company knew on what banks inventory was taken

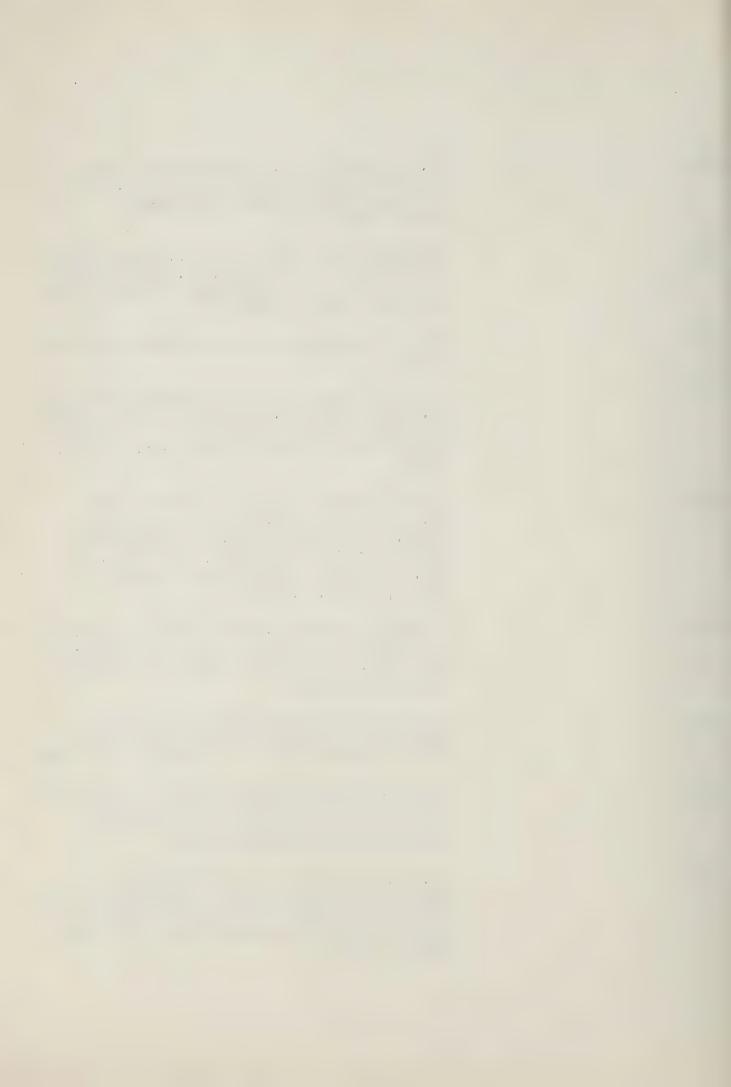


### CHENTEL VIA 100 INT. 00 OCLURAN

BILL!	PACE IN ARGUMAT	WELL OCE'S REBUT PAL	S U B J E C T
194	14580		History of Wabasso Cotton Co. Ltd.
194	14580		Correctly was incorporated in 1909 with an authorized capital of 9,500 comes alaras of a pervalue of 1000 each, of thick 5,000 shares were issued
194	14580		All the original common stock issued was bonus stock, excert for about (15,000 in malestate turned over to the Company
194	14580		City of Three Aivers agreed to pay the Courany a borne of \$75,000 and commute taxes for a re-
194	14580		C Titeles received .25,000 in cash and (4.7,000 in non-wessesable common stock
194	14580		whitehead and his a sacciates sold a bond is us of 1,300,000 with which a 80% bonus of come on stock was givenout of the common stock that went to Whitehead
	14500		The money realized from the bonds was used to construct the plent and building
195			Cortain resple the unless the bonds were given more stak as a consission for handling these bonds (Ev. p. 1163)
195	14580		St. henrice Valley Couton Mills was organized in 1912 and the same procedure follows as with the Wabasso Company
195	14581		St. Maurice Com any was formed for the purpose of erecting enother mill on the same procesty as wabsam and to avoid issuing a second wortage Bond issue
195			Capital of St. Haurice Com ang was 11,255,000
195			Nabasa Company increased its capitalization from 7,800 shares to 17,500 shares in 1913 (Ev. p. 1188)



195 12,500 mares of Dt. Maurice Company were issued to Quebec Savings and Trust Co. and exchanged share for share for Wahasso Common Stock 195 32,500,000 band issue on the St. Marrice plant the tuttorized of which \$1,500,000 was is sued (By. p. 1192) and a 50% berns of Wabesso stock was issued (Ev. p. 1193) Final disposition of shares of Fabrase Cotton 196 Commany 196 In 1980 Wabasso capital was increased from 17,5000 sharesto 35,000 shares of ne pur value These were is sued two stares of no par value for one share of \$100 per value ( v. p. 1211, 1.313) 196 In 1927 Wabasoo capital was increased from 35,000 shares to 105,000 shares of no par value. A new issue of 17,5000 shares was distributed to shareholders, one to two, at \$60.00 per share. The Company race ived \$1.050.000 (av. p. 1216) 196 In 1978 a further 17,5000 shares were issued to shereholders, one for three held at \$80.00 per share. 17,404 were taken up the Commany received \$1,392,000 196 In 1909 the Sahwinigan Cotton Co. Ltd. as organized by the sums group as promoted the Laborer Commenty and the same procedure followed Contract with Shawiniann Water & Power Company 197 for supply of electric power transferred to Chawinigan Cotton demony for \$750,000 in Common Stock and \$3,000 in cash \$2,500,000 band is sue was sut orized for 197 Shawinigen Coston Com any of which 31,666,000 sas issued. 25% of the \$750,000 sommon Stock was given away to bonus the sale of the bonds fEv. p. 1227)



In 1910, C.R. Shi tehead had control of the Oxford Enitting Co. Ltd. and sold it to Shawinigan Cotton Company for \$116,000 in bonds and \$249,000 fully paid up, non-assessable stock. (Ev. p. 1229) Shawinigan Company lost about \$360,000 on the investment (Ev.p. 1238)

197

Shawinigan cotton Co. lost money through the operation of the Shawinigan Anitting Co. and the plant was finally disposed of to J.A. Moodie Co. Lt.

197

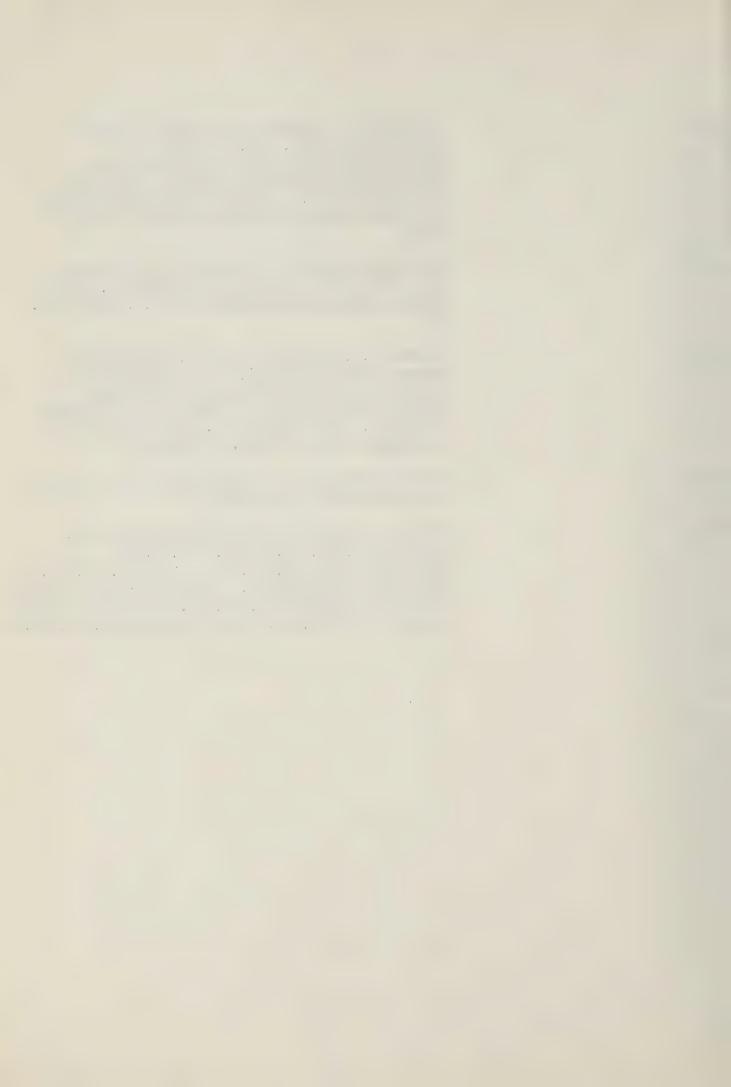
In 1918 C.R. Whitehead and J.R. Creenshidds entered into an agreement with Wabasa Cotton Company to sell 7,500 shares of Shawinigan Cotton Company at \$10.00 a share to the Wabasa Cotton Co. The Wagasa Co. continued to buy Shawinigan shares at \$10.00 a share

198

In 1950 the ca ital of Shawinigan Cotton Company was written down to \$10,000

198

Since its inception Wabasso has paid in bond interest \$3,259,853.50 (Ex. 917, p.22) dividends of \$1,685,565.37 of which \$1,502,177.35 has been on bonus stock. The Company has an undistributed surplus of \$1,006,564.78 and other unused reserves of \$719,339.74 or a total of \$1.725,904.52



## BROAD SILK DIVISION

PAUE IN BALLE	PAGE IN RELLOCK'S ARGUMENT REMITTAL	O D B J R C F
201	14596	Number of companies engaged in the broad silk industry in Canada from 1923 to 1934 (*x.916)
201	14586	Percentage of busiess done by each company in the Broad Silk Group
		Relding-Corticelli, Limited
201	14587	History of Belding-Corticelli, Limited
208	14567	\$948,323.56 set up as goodwill on merger of companies in 1911 but this has since been written down to \$1.00
202		secord of common stock dividends paid from 1923 to 1936
203	14598	Financial summary of operations
		Associated Textiles of Canada Limited
204	14539	History of Associated Textiles of Canada, Limited
204		Result of Company's operations since 1981 is shown by Ex. 907
205		Not profit on sales and not profit on capital employed, 1931 to 1935
		Bruck Silk Mile, Limited
205		Summary of operations, 1926 to 1935 (Ex. 907)
206		Average annual charges for Depreciation & Repairs 1926 to 1935 (Ex. 910)
		Grout's Limited
206		Profits and earnings, 1926 to 1935 (Ex. 907)
		Representative Companies
206		Sugmary of operations of eight representative sill companies (Ex. 916, p. 10)
	14590	Profit on sales taken before bank interest in orde to arrive at a uniform basis on account of different methods of financing used by the companies

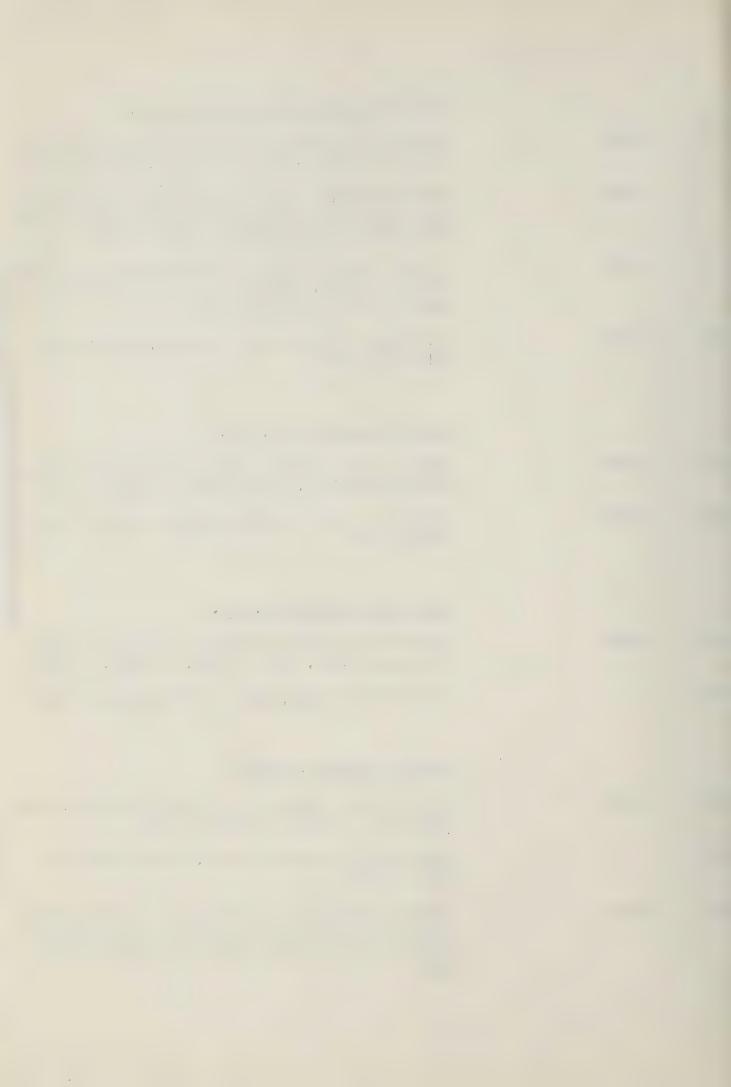


## MONT IN DIAL MOR

PAGE IN		Key. Ock 3 a Bullal	OUP JECT
207	14592		Background of Woollen industry in Canada
808	14593		Explanation as to how the records of the woolien companies have been dealt with in the exhibits prepared by Mr. Howson
208	14594	17270	List of woollen companies dealt with in Exhibit
209			List of woollen companies dealt with in Ex. 1003
209			Affeirs of Ayers Limited & Kenwood Wills Limited are dealt with in Exhibit 1064
207	14594		Dominion Woollens and Worsteds Limited
211	14595	17372	Ramings of woollen industry during 5 years of the depression were consistently higher than for the five years immediately prior to the depression
212	14596		Net profit on sales from 1931 to 1935 was consistently greater than during the preceding 5 ye rs (ax. 1017, p. 10)
212	14596		Woollen companies took adventage of tariff protection given in 1930 to increase the net profit on sales
213	14596	17277	Table showing profit on sales for the depression years and for the pre-depression years

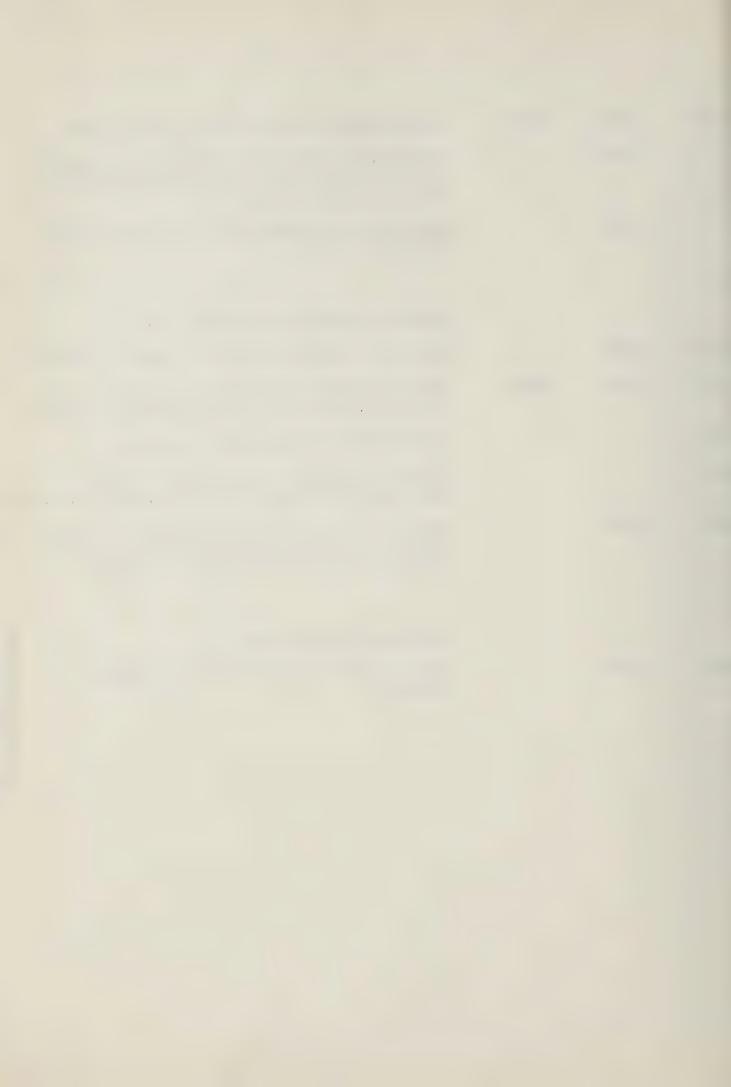


		The Brook Woollen Co. of Simcoo, Ltd.
213	14596	Record of net revenue applicable to capital em lo- yed in operations, 1931 to 1935 and 1926 to 1930
	14596	Kellock objects to use of term "net revenue ampli- cable to capital employed" and says this shows re- turns before bank interest is taken care of
	14601	If bank loan is taken into consideration, it gives a bigger return, because the company samed more than it paid in bank interest
214	14602	Percentage of not profits to sales, 1931 to 1935 and 1926 to 1930
		Paris Wineey Milla Co. Ltd.
215	14603	Record of net revenue applicable to capital employed in operations, 1931 to 1935 and 1926 to 1930
21.5	14603	Percentage of met profits to sales, 1931 to 1935, 1926 to 1930
		Paton Manufacturing Co. Ltd.
215	14604	Record of met revenue applicable tocapital employed in operations, 1831 to 1936, and 1926 to 1930
216		Net profit on sales, 1931 to 1936 and 1926 to 1930
		Patons & Baldwins, Limited
216	14604	Record of not revenue to capital amployed in operations, 1931 to 1936 and 1929 to 1930
217		Percentage of profit on sales, 1931 to 1936 and 1929 to 1930
217	14604	Patons & Baldwins took advantage of tariff protec- tion given in 1930 to make profits during the de- pression years far in excess of rofits normally made



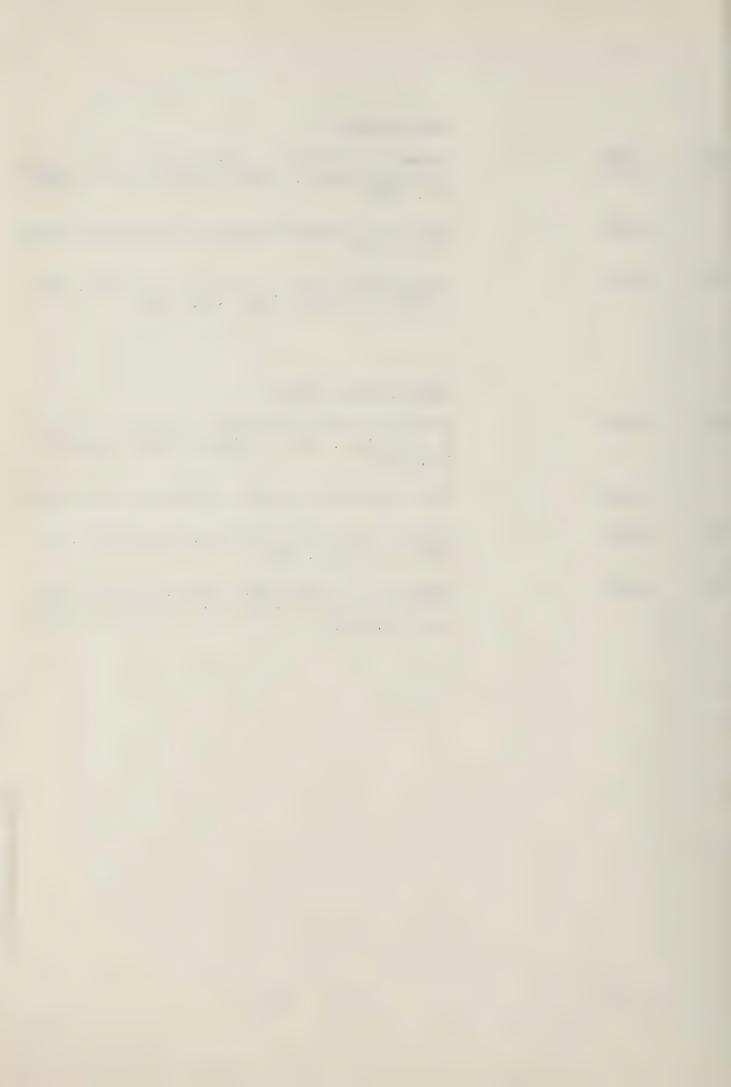
217	14608	17286	Customs triff duties on years, 1907 to 1936
	14605		Principle is wrong that rovides shigh tariff protection for excething that constitutes the raw material for others
	14606		Competition in worsted and wollen yarms comes from Great Britain
			loninon scollege and corsteds Ltd.
818	14606		History of Deminion Woollens & Norsteds, Linited
218	14606	17345	Report on affeirs of Company preserved by U. 1. Evans on behalf of the Bank of Montreal (Ax. 1060)
219			List of mills of Commany in operation
2:10			Explanation given by Mr. Barrett on points discussed in the Evans' report (-x.1061; ev. p. 13130)
243	14606		Record of Dont to Scotlens & Warstels so not be taken as a standard for morchantising in Camada on which to be so the tariff for the fature
			form as the Constitutes
223	14607		Types of goods namefactured by 14 lending

companie s



Ayers	Limited
Albertal Company of the Assessment of the Company o	Commission of the Artist States and States in

234	17408	yed in operations, 1931 to 1935 and 1926 to 1930 (Ex. 1064)
	14607	Apers does a substantial export business in paper- makers felts
224	14608	Hatio of net profit on operations to sales, 1931 to 1935 and 1926 to 1930 (Ex. 1964)
		Kenrood Hills Limited
225	14608	Record of revenue applicable to capital employed in operations, 1931 to 1935 and 1926 to 1930 (Ex. 1064)
	14608	Eigh duties have provailed on blankets since 1930
225	14609	Aatio of net profits to sales, 1931 to 1935, and 1926 to 1930 (Ex. 1064)
285	14609	Earnings of Menwood Mills does not indicate that the 1930 tariff increased wore necessary or justified (Ex. 814)

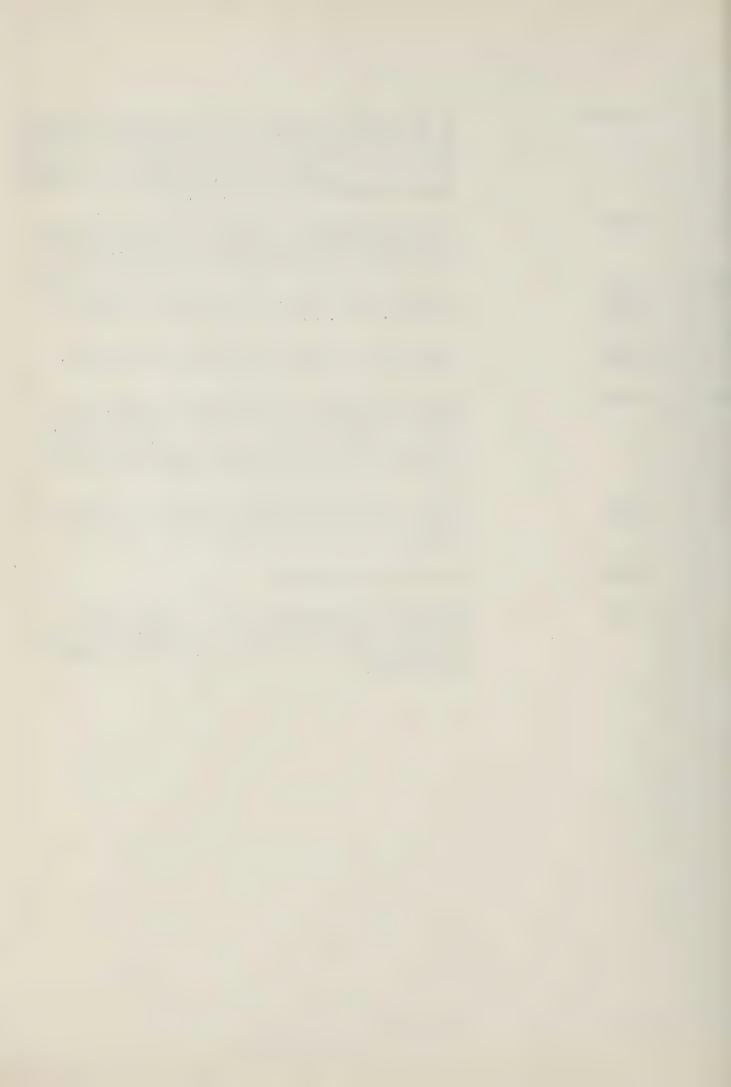


## MINI GOODS DIVIDE N

PAGE IN	PACE IN ARGANUS	KIL OCK'S	SUBJECT
			Penmans Limited
2 <b>27</b> 227	14609 18807		History of Fennans Company
227	1461.0		Subsequent to 1893 the Pennan Mfg. Co. purchased the Henderson Mills at Thorold, the Ellis roper- ty at Port Dover and the Bates Pelt property
227	14611		Amount of capital stock oustanding at date of incorporation of Penmane Limited in 1906
227			Directors Formans Limited
228	14611		Prior to incorporation of Pensans Limited, 3.4. STewart acting on behalf of a Syndicate acquired the cepitel stock of the Pensan Mrg. Company at \$350.00 per share
228	14611		Dividend record, 1892 to 1904
226	14612		Penmans limited provided the necessary capital to take over the assets of the Ferman Mrg Co. and \$8,000,000 in common stock and \$471,600 in preferred bonds and preferred stock were issued and the shareholders paid off in full at \$350,00 per share, the members of the Syndicate sot all the common stock and \$471,600 of preferred stock
229	14613		In 1906 Bennans Limited acquired the Ancher Knit- ting Company
230	14615		In 1027 there was a split of scars three for one
230	14613 18811		Amount of dividends paid since 1907 (Ex. 1070, p.5)
250	14613		Goodwill, amounting to \$2,259,953.60, has been written down to \$1.0 and the crefit to Surplus and Reserve Account is \$2,358,602.12
230	14614		Between 1907 and 1935 \$5,694,608 has been paid in dividends on securities that were is said as bonus to the Syndicate. (Ex. 1070, p. 7)
230	14614		Barnings accruing to these bonns securities, as shown by Reserve and Surplus Account amount to \$4.510,696 making a total of \$10,205,304 realized by the promoters of the Syndicate for no capital
			investment in the Com may at all (Mx.1070, p.7)

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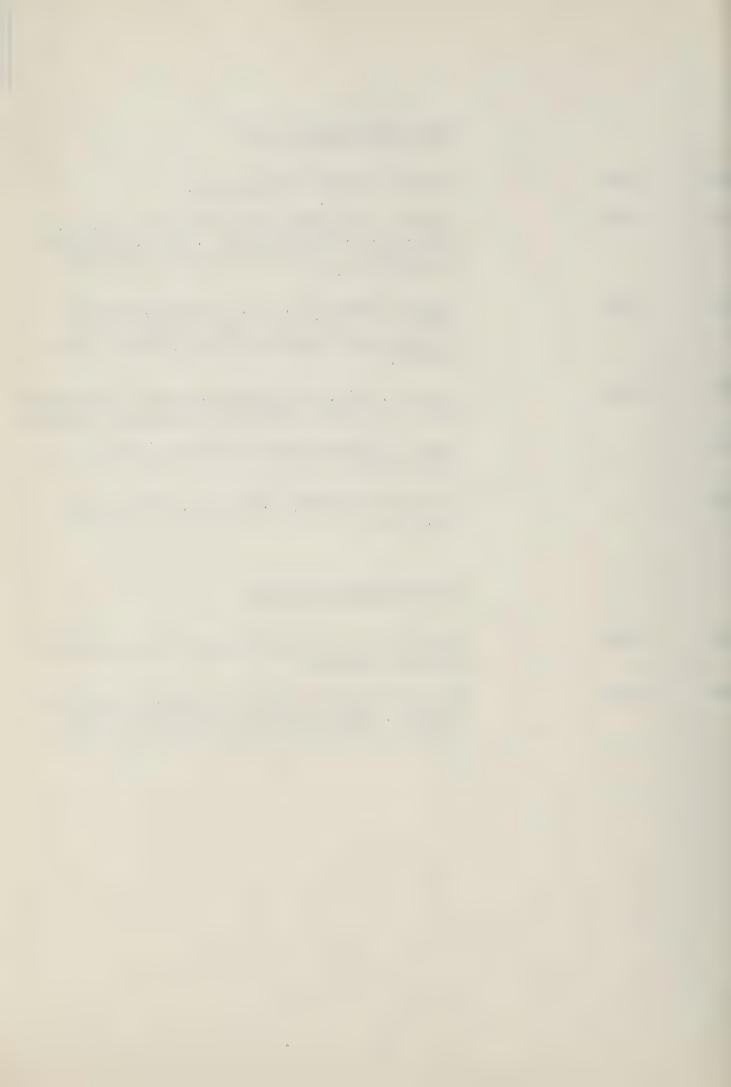
	14 615	It is unsound to attempt to base tariff protection on capital employed in the industry when the consumar has combributed \$5000000 in dividends on stock for which no money was paid, and when this stock is given on asset value of \$4,510,000
	14615	Penmens Limited to a certain degree is under the same management as Dominion Textile Co., Sir Chames Gordon being President of both companies
231	14815 18814	Net profits to sales, 1951 to 1935 and 1926 to 1930 (Ex. 1070, p. 4)
251.	14615 18814	Net revenue to capital employed in operations, 1931 to 1935 and 1936 to 1930
231	14616	This not revenue cannot be taken as a guide in view of the fact that the whole of the capital, with the exception of the portion of the preferred stock and the bonds is accumulated profit on shame for which nothing was paid
232	14617	Position company would have been in had it paid no dividents on the bonus preferred and common stock
	14621	Definition of goodwill
	14621	Consideration should be given to what control has been taken to prevent stock manipulation and exploitation of the public by increased tariff protection



## Monare Knd tting Co. Ltd.

3.4690

233	14688	History of Monarch Knitting Co.
253	14623	Original partnership which consisted of A.F.R. Lalor, Ge. H. Orme and John A. Burns, was formed ed in 1903 and the three partners contributed to capital \$7,500
253	14623	Nonarch Enitting Co. Ltd. was incorporated in 1908 to take over the business carried on by the partnership under the name of Momarch Enitting Co.
234	14263	In April, 1918, the business was sold for \$750,000 and a new cospany incorporated under the same name
235		Burns and Lalor invested in the new company but Orne withdrew
234		Summary of financial operations, 1903 to 1935 (Ex. 1071)
		Representetive Companies
236	14628	Summary of operations of certain representative knitting companies
256	14623	Set profits shown are after payment of executive salaries, which in many of the privately owned companies are very large (Ex. 1133, 1105, 1073)



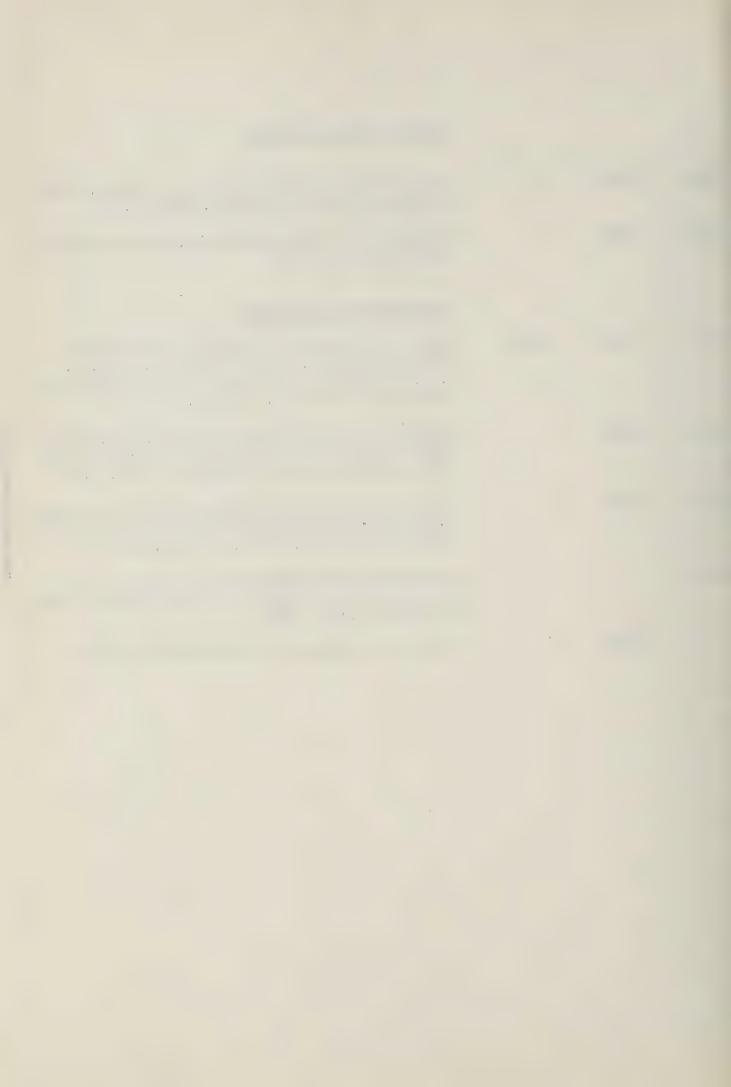
#### HOTELA DIALITION

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		Cenadian Silk Products Corporation Limited
237	14624	History of Canadian Silk Products Ltd.
	14624	25 % of Company's business is a xport business
	14624	where a company does an export business, it cannot be said that the tariff protection is entirely responsible for the profit of the company
237 237	14624 19044	On original investment of \$48,375 in 1924, dividends have been said amounting to \$926,032.50 and \$1,257,058.73 remains in undistributed surplus and reserve.
258	14624	Net profit on cales, 1931 to 1935 and 1936 to 1930 (Ex. 1147, p. 1
238	14624	Not revenue on calital employed in operations, 1931 to 1935 and 1936 to 1930 (Ex. 1147, p.1)
		Sothers Massery Co. of Canada Ltd.
239	14625	History, capitalization and operating results, 1929 to 1936 (Ex. 1147, p. 2)
,		Julius Kayuar & Co. Ltd.
239	14635	History of Compeny
239	14625	Percentage of revenue to capital employed in operations, 1931 to 1936, and 1926 to 1930 (Ex. 1147, p.3)
239	14625	Net profit on sales, 1931 to 1936 and 1926 to 1930 (Ex. 1147, p. 3)
240	14625	Dividents, reserve, capital employed in operations, outside investments, value of plant and depreciation
		Supersilk Hosiery Mills Ltd.
240	14625	Earnings on capital employed in operations, 1931 to 19 and 1926 to 1930 (Ex. 1147, p. 4)
240	14625	Net profits on sales, 1931 to 1935 and 1926 to 1930, Ex. 1147, p. 4)

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# Wellrest Hoslery Limited

840	14625		to 1955 and 1926 to 1980 (Ex. 1147, p. 5)
240	14625		Het profits on sales, 1931 to 1935 and 1926 to 1930 (*x. 1167, p. 5)
			Representative Commentes
241	14628	17212	Summary of operations of eight representative hostery companies, 1926 to 1935 (Ex. 1185, p. 7, 8, 9 and 10) and 11 representative companies from 1930 to 1935 (Ex. 1155, p. 11 to 14)
242	14625		Natio of net profits from operations to capital employ d in the industry for all companies from 1931 to 1935 and 1926 to 1930 (Ar. 1155, p. 2)
243	14886		Est profits on sales of representative companies taken as a whole over the lo-year period 1928 to 1935 amounted to 9.1% (Ex. 1155, p.14)
243			Profits made were exceptional despite the fact that also of the companies at times showed a loss on sales as high as 33%
	14626		Hooler, is protected by a high specific duty



## CARPET DIVISION

PICK IN	PAGE IN RELLOCK'S ARGUMENT PREPARAL	C P I C P
244	14627	Toronto Carnet Manuacturing Co.
244	14627	Hatio of not revenue to capital employed in operations, 1931 to 1935 and 1926 to 1930, (Ex. 1184, p. 5)
244		Net profits on sales, 1931 to 1935 and 1926 to 1930 (Ex. 1164, p. 5)
		Barding Cerosts Limited
	14627	Carpet innustry is an example of that high teriffs can do to injure industry by increasing internal competition
244	24626	Harding Carrots started in 1928, pulled through the depression and are now paying divident (Ex. 1166, p. 2)
		Printen Paterboro Carpet Co. Ltd.
844	14626	Antic of met revenue to cardtel essl y od in operations, 1931 to 1936 and 1926 to 1930, (Ex. 1184, p. 1)



#### THREE STYLETON

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BRILLY ARCUMENT RESULTAL S U S J S C T

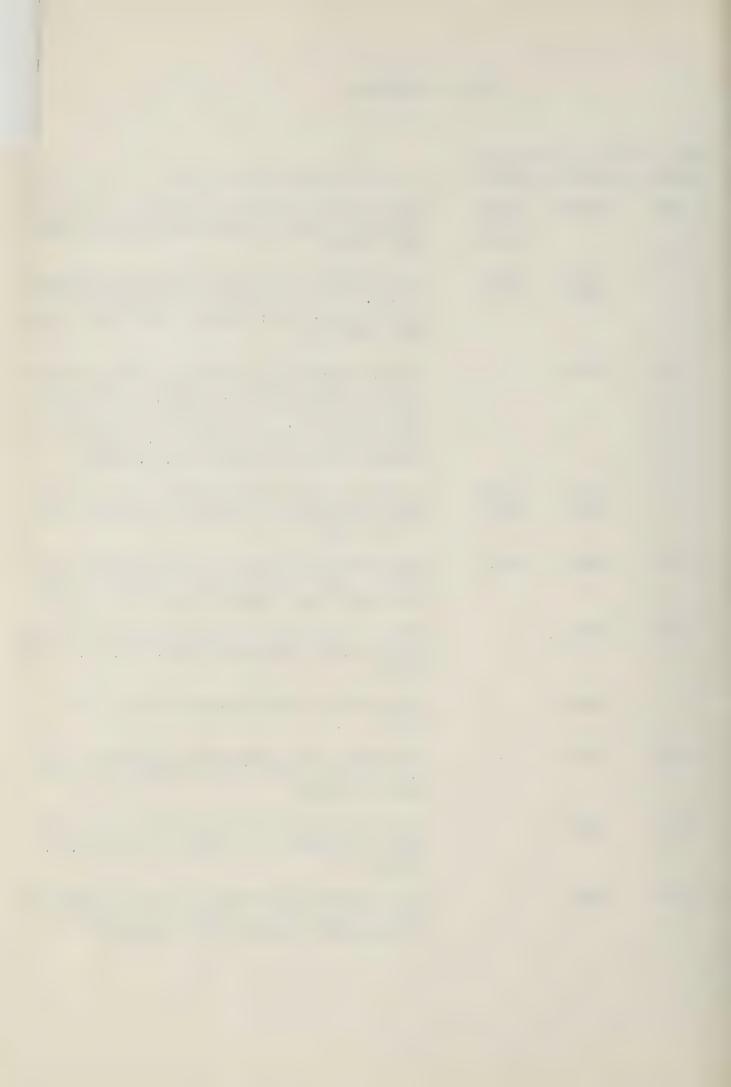
245 14628 Not revenue from operations to capital and loyed in operations, 1931 to 1935 and 1926 to 1930

(lx. lauz)



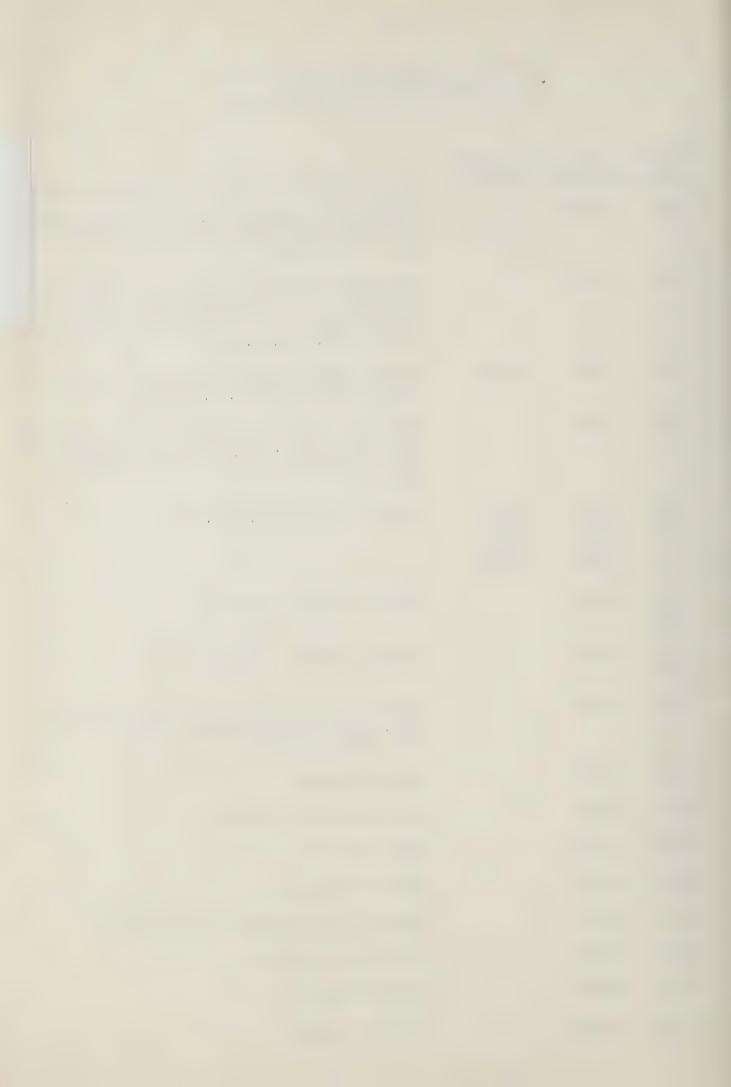
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PAGE IN	PAGE IN	RCLLOCK'S	SUBJECT
247	14678	1785/H 1785/H 1734/H	Ver, few of the textile companies are able to above their costs of abaretics for any articular febric
	14673 14681	17350 17355	Costs of production submitted to Tariff Board in Ref. 83 were submitted as manufacturers' cost of production; but were found to be stardard costs only
247	14674		In many commanies charges for reviews and bet- terments were charged to profits in one year but for the purpose of costing seread over a period of years. Charges for depreciation in the costs did not relate to depreciation put through from year to year (Ev. p. 12923)
	14076	18500B 18501B	Ganadian Cattons cannot submit their cost of production and do not know the Japanese cost of production
248	14576	17356	ing not profit on the basis of standard cost and actual cost, 1926 to 1935 (N. p. 12936)
249	14678		Pennans Limited state their standard costs are not used for price setting (Rx. 968, Ev. p. 128 12936)
	14678		Compatition is used as the basis for price fixing
249	14678		fresection costs substitud by Associated Tex- tiles are much lower than standard costs sub- mitted by them
249	14679		Canadian Celanese run factory as a unit which makes it difficult to allocate costs (av. p. 10669)
250	14680		It is difficult to relate to teriff protection costs of production as slown by the recurds of the companies engaged in the industry



# CHARGES TO OPERATIONS FOR DEPRECIATION, REPAIRS & BEST RESULTS

P.GE IN	P. CE IN	RELECCE'S	
251	14663		Charges for depreci tion, repairs and better- ments have some importance in relation to cost of production
851	14684		preside Tertilo at to they but there of for de- preside a more with sufficient to the care of actual wear and to read to cover capital leader as well (Ex. 329, p. 15)
251	145%	180.790	Charges made by Causino Lottons Ltd. Seme we close exemination (Ev. p. 11366)
2003.	14665		for depreciation, repairs and besterments and thereby deducted from profits and lackned in costs:
258 256	146/5 18939 18941 18943	176536 177848 17761H 17794H	Reminion Sextile Co. Lts.
253 258	14691		Montreal Cottons Limited
255 257	14692		Cenadian Cottons Limited
259	14694		Dereur of charges to over time for Perrocla- tion, we miss and betterments for 10 year a- riod, 1926 to 1935 :-
260	14694		Cotton Companies
260	14695		Artificial Silk Companies
261	14695		Silk Companies
861	14695		Woollen Companies
261	14695		collen & sper loke a felt toursties
262	14695		Knit Goods Companies
363	14695		Hosiery Companies
262	14695		Carpet Companies

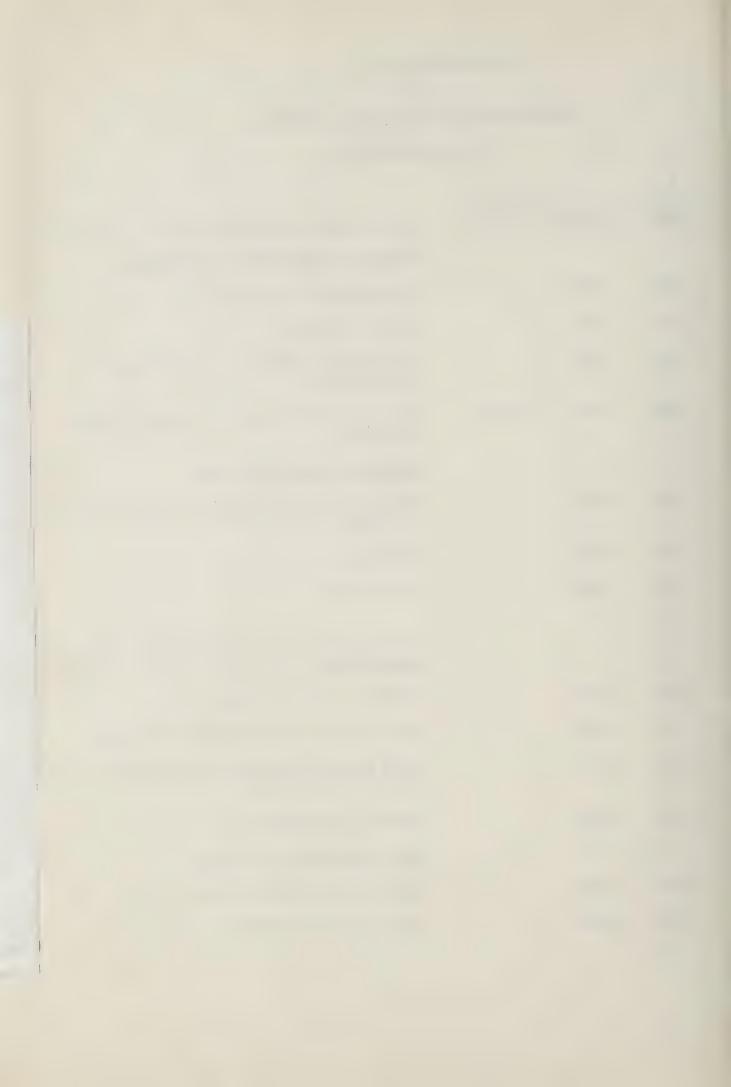


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### MARA MOINES

P. C. III	PAGE IN	RELIACE'S	
			Canadian Manufacturers association
26%	14698		Constitution and By-leve
256	14700		Tariff Comittee
268	14701		Association's attitude to the Industrial Standards Act
268	14705	16689	Policy of Association in r gard to tariff protection
			Frimary Textiles Institute
269	14706		Associations comprised in Frimary Textiles Institute
269	14706		Officers
840	14706		Constitution
			Canadian Cooleans & Enit Cools Denufacturers'
272	14706		Constitution and By-laws
873	14706		Aspociation is divided into 12 branches
273	14706		Price fixing arrangements has been in effect to nine of these brenches
273	14706		Officers of Association
			Silk Association of Canada
275	14707		Objects of the Association
275	14707		Officers of Association



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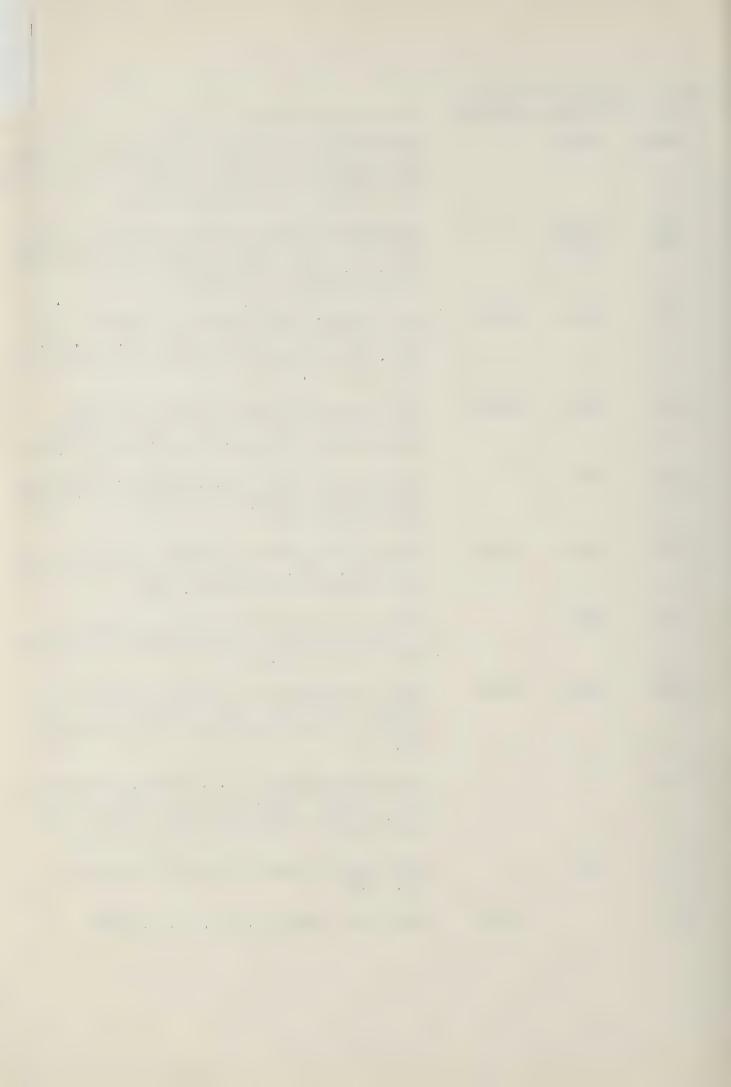
276 14707 List of Lembers

276 14707 Officers of Association

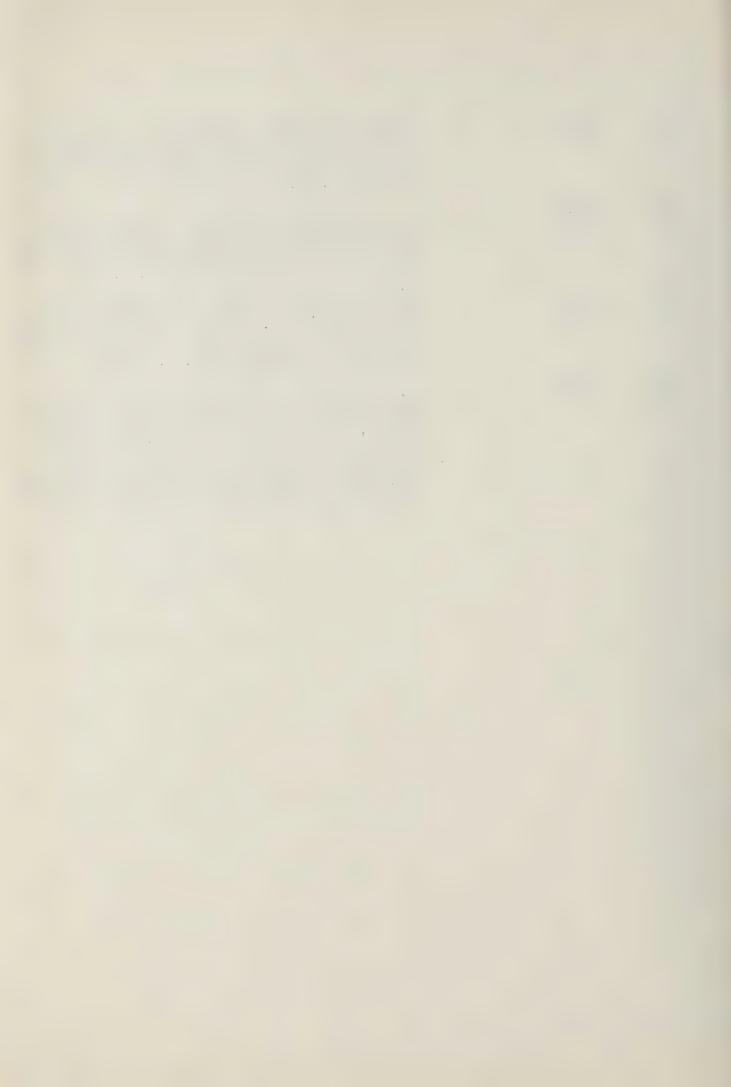
276 14707 Constitution (Ex. 559)



PAGE IN	PACE IN K	PILOCK'S	
278	34707		Constituti a of Canadisa collen and Init coess Manufacturers Association indicates that one of the purposes of the organization is to influence the course of legislation in Canada
2 <b>7</b> 9 280	14708		ropagumia put out by Associations was lesigned to create a favourable impression in the public mind, or, in some cases, to discourage industries from locating in Canada
279	14708	2.202.97	News release sent by Mallam to ".onen's our Daily" and the "Daily News Record", Feb. 25, 1935, giving warning of excess silk production in Canada (Ex. 659)
280	14711	17399	Correspondence between Cowling and Laller regarding information about silk industry in Canada sent to "Women's Wear"in 1933 (Er.592)
261	14714		Letter from A liam to F.A. Autson re publicity for the silk industry through the good's tostitutes (Mr. 656)
261	14714	17401	Letter from Ent kura & Go pany to Callen dated An ust 23, 1938, requesting particulers of the silk industry in Geneda (Ex. 656)
261	14714		in Canadian lextile Journal regarding "matter Mills Limited \$2x. 630)
282	14715	17403	Co.y of article sent by Heliam to the "Bilk Journal of America" indicating that the silk industry in Canada was facing over production (Sx. 657)
282			Letter from Ha lam to R.M. Armott, Industrial Secret my of Vancouver Board of Rade, La. 1, 1934, advising against the establishment of a milk industry in Unitish Columbia (ax. 416)
283	14715		Collection of funds for election compaign (Ex. 616)
284		17405	Study Club Sotes (Ex. 615, Ev. p. 6317)

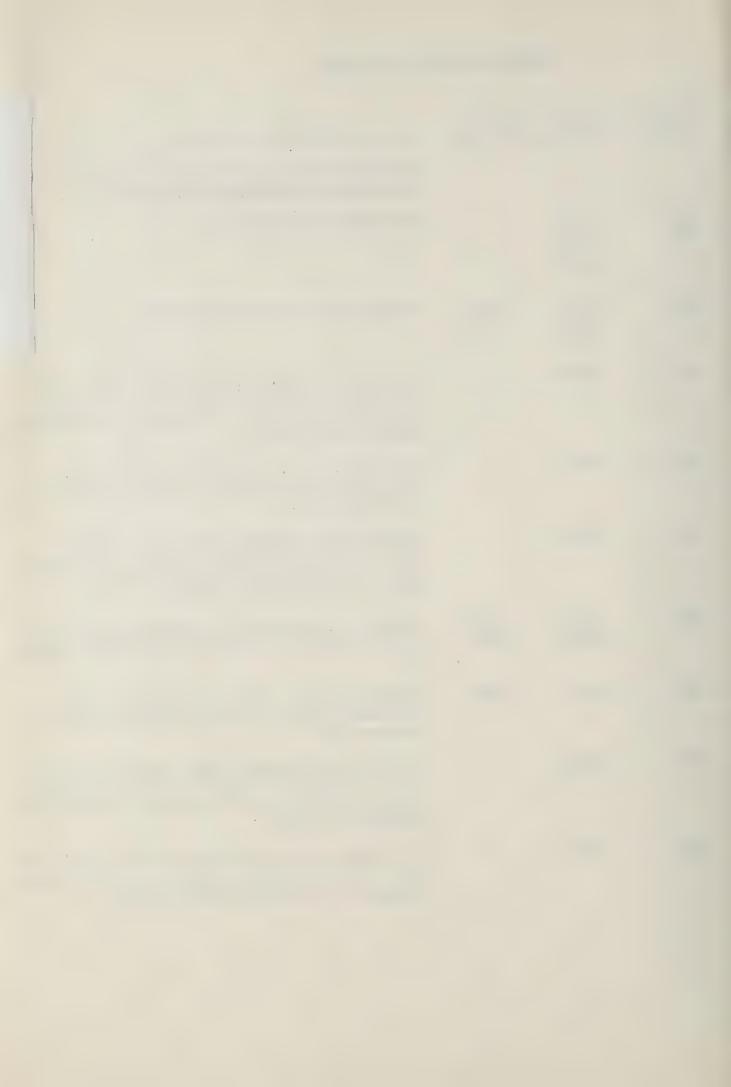


265	14717	Political pump let receive: in pay e volcas by employees of Monarch Knitting Company, Dunaville, just prior to 1935 election (sx. 862, Sv. p. 9217)
286	14718	shout 1909 Monarch Emitting Corpany provided work for every employable person in Dunnville and sent an Anglican Clergyman to Scotland and England to select employees (Ev. p. 9248)
187	14719	Monarch Enitting Company opened plants in St. Catharines and St. Thomas in 1909 and 1910 on account of not being able to obtain sufficient employees in Dunnville (Ev. p. 9249)
288	14719	Although textile Associations were active in securing for the industry advantages from the public; no action has been taken by them to develop any labour policy that would seek to distribute to labour a fair share of the advantages that have been secured to the injustry through organizations and protective tariffs



## ONTE OF CAREERS

1.08 III		Control of the Contro	and the same of th
			Combinations in Restraint of Trade
291 289	14721 14723 14732 14741		Combines Investigation Act
290	14731 14727 14734	16899 17326	Section 498 of the Criminal Code
291	14739		Section 15, Coap. 44, of Customs Tariff of deals with question of Combinetions and was in Customs Act before the Combines Investiga- tion Act was passed
929	14741		Section 4, Chap. 55, of Tariff Board et, 1931, gives the Tariff Board power to make investigations.
292	14743		Section 17 of Customs Tariff act provides for reduction or femoval of duty where advantage is taken of such duty to increase the price of goods to the consumer
295	14745 14749	17328	Teidman vs. Theragge is an instructive else on the application of Section 498 of the Crisical Code
293	14746	16374	Reference of Mr. Justice Li ington to the relation of tariff laws to Section 498 of the Criminal Code
294	14747		Mr. Justice Iddington stated that the standard of profit cannot be taken as a guide to determining whether or not an agreement is an undue restraint of trade
294	14749		br. Justice Clute in sample vs & rappints out that Jaction 498 of the Criminal Code is closely related to the tariff laws of Canada



Judgment of Lord Atkins in 1931 on the constitutional validity of the Combines Investigation Act and Section 498 of the Criminal Code

14654

Brief on Dominion and P. ovincial relations, prepared by Hon. Norman McL. Rogers for the Province of Mova Scotia in 1934 (Ex. 1328)

14665

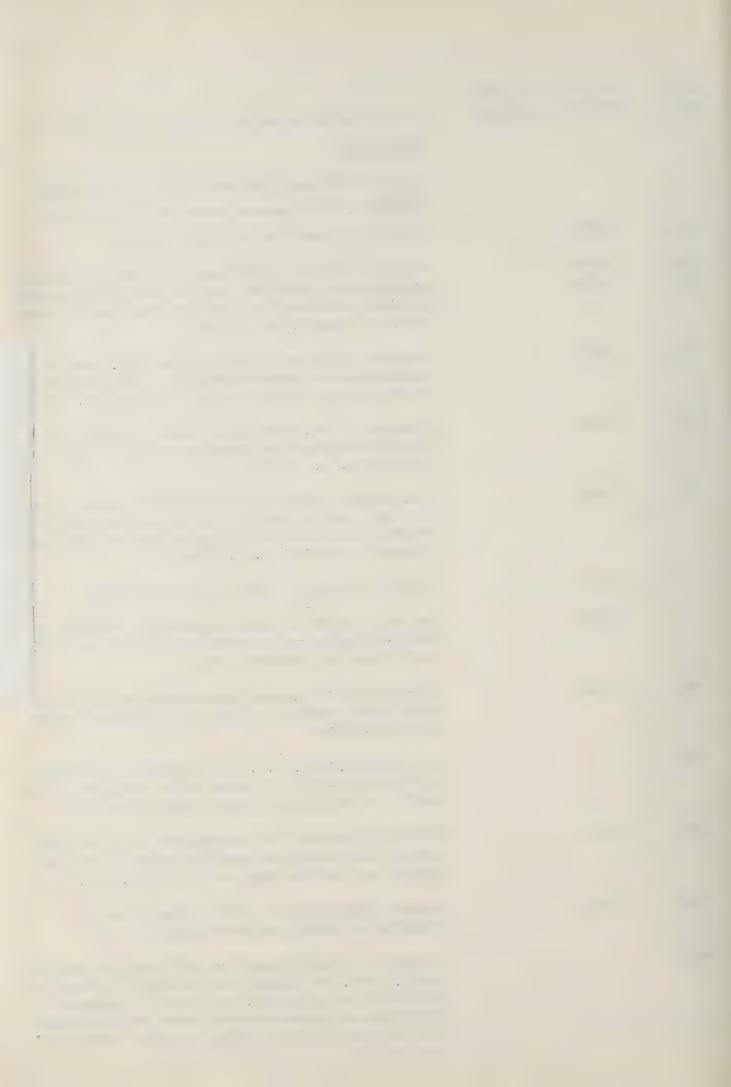
Reconcide Engainer of the Province of Nova Sectia, 1934 (Ex. 1329)



Jose acctate parts but were unable to do no mercially dus to the fact that Canadian Celanes demanded prohibitive grices  296 14755 Canadian Celanese in acctanter, 1320, made representations to the Government for increased dution artificial silk years and fabrics (ax. 742)  299 14760 Rvidence of the Comerce, Vice Fresident of Canadian Celanese re dumning of French years in Canada (Sv. p. 10608)  301 14764 R.E. Telane testified that Canadian weavers count tues faveing yards at the laid down costs an compete with Canadian Celanese when selling the finished product (Ev. p. 10615)  14765 Canadian Celanese still sulpy a manepoly  14765 The only may relief can be obtained for the covers in Canada is to lower the tariff on the Lemma from Canadian Celanese in 1925 but price was prohibitive  302 14766 Silngsby silks Limit andeavarred to purchase years from Canadian Celanese in 1925 but price was prohibitive  303 In secondary, 1933, Sards made a plication to the Minister of Finance for a revision of the tariff on celanese accepted parts (Ex. 750)  304 14766 Canada for celanese accepted products and the tariff has enabled then to do so (Ex. 741)  305 21766 Exhibit 783 shows that the wice accept by Canadian Celanese are unreasonable  Finalese are accepted, and the trace of products and the tariff has enabled then to do so (Ex. 741)		PAGE IN R	and the state of t
295 14753  296 14753  297 14783  298 14783  299 14783  299 14780  299 14780  299 14780  299 14780  299 14780  299 14780  299 14784  299 14784  299 14786  290 14784  290 14785  290 14786			The state of the s
296 14753 297 14753 298 16753 298 16753 299 16753 299 16753 299 16753 299 16750 299 16			Canadian Celanese Limited - Acetase Yeres and lebrics
loss acctate yarms but were unable to do so mercially due to the fact that Canadian Celanes demanded prohibitive prices  296 14753 Canadian Celanes in September, 1320, made representations to the Government For increased dution arbificial silk yarms and fabrics (a. 742)  299 14760 Evidence at a. McCanadon, Vice President of Canadian Celanese re duming of French yarm in Canada (av. p. 10608)  301 14764 H.S. Tolmis testified that Canadian weavers count use foreign yarms at the laid down costs an compete with Canadian Celanese where selling the finished product (Ev. p. 10613)  14765 English Celanese still enjoy a manepoly  14765 The oily may relief can be obtained for the servers in Canada is to lower the tariff on the Literardiate and Ceneral items  302 14766 Silnesby silks Limit demicaveured to purchase yarms from Canadian Celanese in 1935 but price was prohibitive  303 In accember, 1835, Serve made a plication to the Minister of Finness for a revision of the tariff on cellulose acctate products and the tariff has enabled than to do so (Ex. 741)  304 14766 Exadian Celanese has mane client in Canada for cellulose acctate products and the tariff has enabled than to do so (Ex. 741)  304 14766 Exadian Celanese are unreasonable  Findings of Tariff Board in left race 38 made in a religious area accessive, and the tariff has enabled than to do so (Ex. 741)	295	14753	History of Gaussian Ce asese : imited
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14765  14765  14766  14	299	14760	Canadian Celanese re duncing of French years in
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Sold 14766  The comber, 1933, Sharks and a lication to the Minister of Finance for a revision of the teriff on conclude acetate parns (Ex. 750)  Sold 14766  Canadian Celane so has mono clica tan field in Canada for ce hulose acetate products and the teriff has enabled them to do so (Ex. 741)  Sold 14766  Similar of Tariff Board in Ref rance 38 maio in Larif, 1836, are that prices charged by Canadian Celanese are unreasonable  Timinar of Tariff Board in Ref rance 38 maio in Larif, 1836, are that prices charged by Canadian Celanese are unreasonable celanese ce		14765	Consilan Calanese still enjoy a monopoly
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Canada for concludes acetate products and the tariff has enabled them to do so (Ex. 741)  504 41765 Exhibit 753 shows that the relices maked by Canadian Calanese are unreasonable  504 Findings of Tariff Board in Ref rence 38 male in April, 1836, are that prices on read by Canadian Delinese are excessive, and that the secess of producing cellulose acetate years as an integral.	303		to the Minister of Finance for a revision of the
Ganedian Celanese are unreasonable  Findings of Tariff Board in Ref rance 38 made in April, 1836, are that prices on aged by Camadian Delanese are excessive, and that the soccess of producing cellulose a cetale years as an integral.	504	14766	Canada for cellulose acetate products and the
April, 1836, are that prices on reed by Camelia Delmose are excessive, and that the recess of producing cellulose a cetate years as an integral	304	41766	
	304		Findings of Tariff Board in Ref rance 38 made in April, 1936, are that prices on rgad by Canadian Delmass ero excessive, and that the recess of producing cellulose acetae yarns as an integral part of the process of an affectaring artificial

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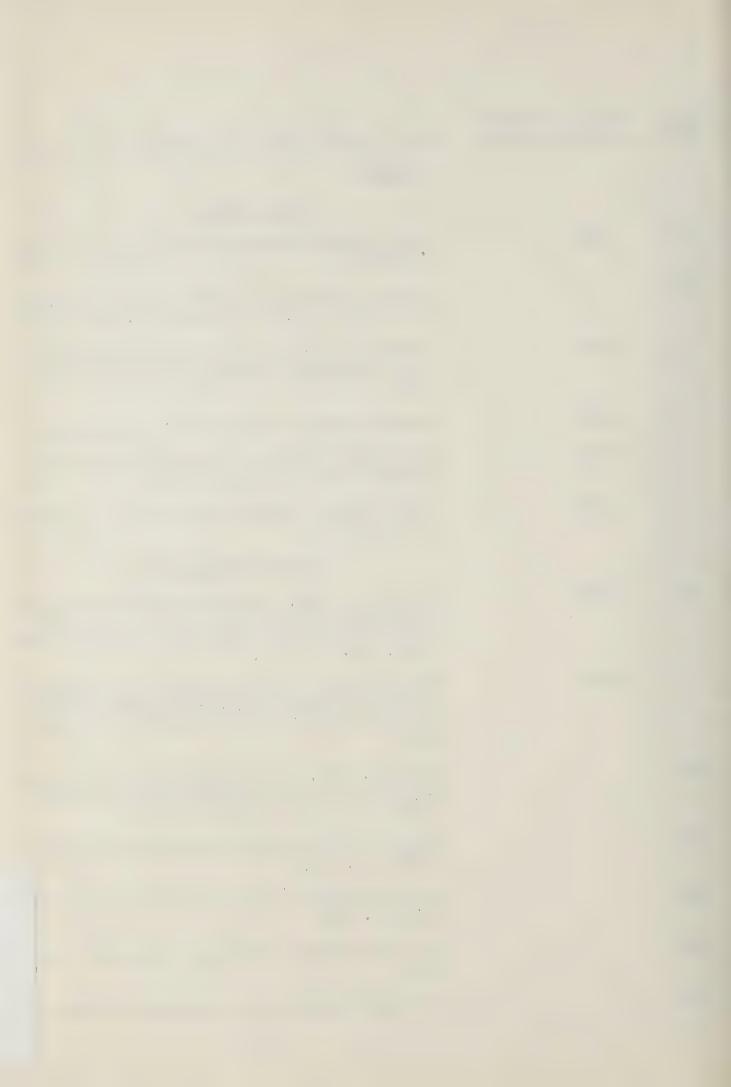


305		Consumers of Causia should be given relief unler Bection 17 (1) of the Customs Tariff het and Dec- tion 29 of the Combines Investigation Act
		Courtnulds (Canada) Limited - Fiscose T ras
306		History of Courtauld's (Canada) Limited
307	24767	After mediving increase in tariof in 1950. Courtaulds increased its arices for viscose yarns (Ex. 554)
908	14768	Prices of viscose years in the United States end England declined at the time Courteulds (Canada) Limited increased its prices
	14768	Tarif; on viscose yaras should be lowered under the Intermediate and General tariff
308	14768	Canadian knitters protested to Government over Courtauld's price rise (Ex. 783)
310		Protests made to Government by Gane in Costons Limited with respect to Courtaulds raise in pri- ces
311		Courtaulds informed the Prime Minister that rior to raising the wice they had been losing by a pound on their yarm (Ex. 733)
312		Courteulds misrepresented its position to the Government by stating they were losing 5¢ a pound as the Correny was making 81 not profit on

all sales at that time

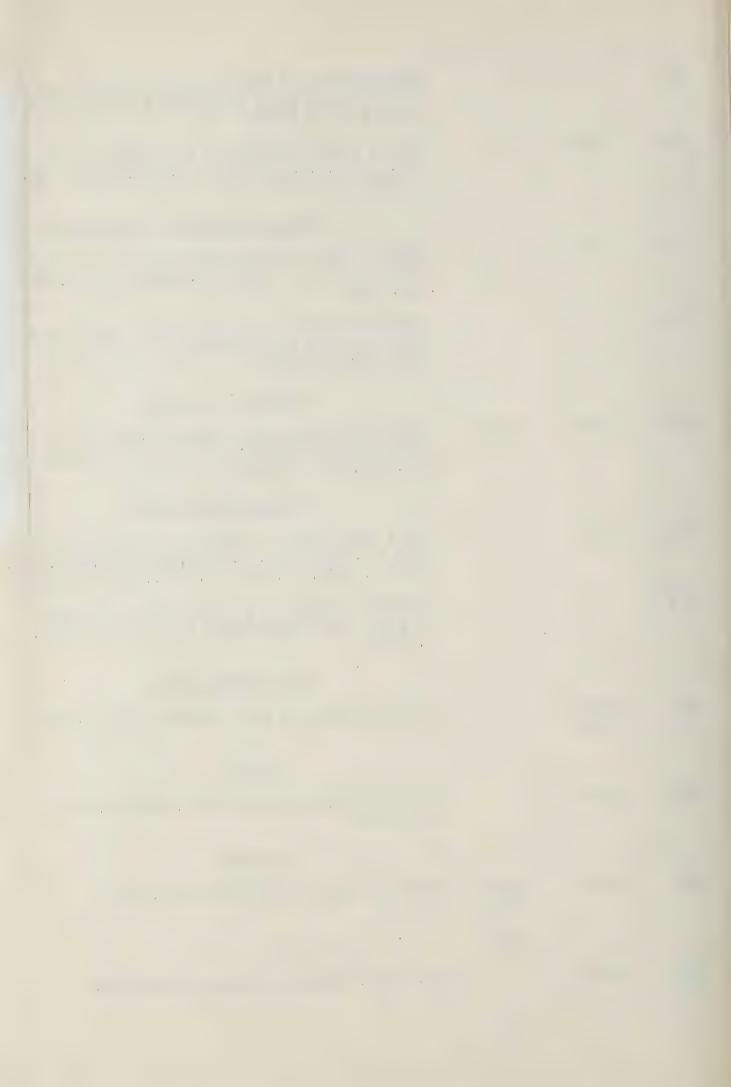


PAGE IN	PAGE IN RELLOCK'S AUGUSTAL RESURTAL	
		Control of the Contro
		Cotton Yarns
<b>31</b> 2	14769	Four commiss control spinting as cotton pages in Canada
51.0		of the year consumed in Geneda (Ex. 894, p. 9)
	1.4770	Agreement between the fair large estion com- nies a netitates a recopoly as well as a com- bine
	14771	Agreement ecvers oly some 40's or courser
	14773	Normal says there is no infortion that rice agreement raised the price unduly
	14773	Frice agreemnt elimin ted the factor of reason- able competition
		Full-Fishioned Rociery
313	14773	In October, 1830, Dourins Hallam communed callie- ting weekly returns from manufacturers of full fashioned hosiery showing lowest crice per dozen, terms, etc.
	24774	Cure for price fixing agree cuts is to make the tariff low enough so that the manufacturers cannot raise the prices under price fixing agree-
514		In March, 1981, an agreement for the enictorage of minimum prices on full fushioned hosiery was signed by 17 out of 22 manufacturers
514		Sample of letter agreeing to whistein stellam prices (Ex. 368)
316		List of companies which signed agree to the co., 1932 (Ex. 4569)
317		List of companies which signed agree at of Largh, 1933
317		A revised agree out we entered into is valy, U.M.



318			Mostery agreements of love ber, 1934,( 2.885) Day 1935 (Ex.564) and Decienter, 1935( 2.865)
318			Discontinued lines (Ex. 572)
320			Condaints have by U maries til * remets as to me here who signed the agreement soling n - low the agreed prices (Ex. 794)
323		17342	As only 11 mambers signed the agreement in September, 1955, it never become affective and price agreement was discontinued
333	14773		Evidence of Canadian Silk Products indicates that price fixing was continued after Septem- ber, 1935 (Ex. 793)
5.55			Letter from F. D. Woods to L. W. Lawson to for to besieve, inted July h), 1836, re consected lowering of prices at senting of Fall 7 saids ed absiery action, Changes in orice ore agreed upon (Ex. 1235, Letters 197 and 198)
325			At meetin of bull behinned homory section held in Secondary 1935, Consdian will a country were willing to come in again but Gothem Hosiery upset things and no agreement was entered into between the members (Ex. 1. 20, Feb ers 3/2 and 40 to 45)
			Woollen & Worsted Cloth
326	14775	17000	Bullstin of sebreary 20, 1936, fixing ; rices for serges and fency piece dyes (Ex. 577)
527			Letter from Hiels Dos. Ltd. to indimmented Feb. 15, 1903, se oriss agreement (cz. 875, Lv.p. 190)
3.73			Price agree e to deting from Jone Se, 1983, to Pebrury 20, 1936 (Ex. 765)
Was S			Evidence of J.H. Bodd in regard to operations of the price fixing arrangements in the woollen and worsted groups (Ex. 763, Ev. p. 10849)
331			Evidence of W.S. Crimshaw, General Manager of Hielf Bros. Ltd., re price fixing arrangements (Ev. p. 10681,10692 et seq.)

534 14776 Fries quoted Spulmick on the serger for C.  D. 10871 to 10877)  Underwear (Nomen's & Children's)  First extracts of agreements appears in 1st from hillant to formans Lot.dated a ril 14,19	9
337 14776 First evidence of agreements appears in 1st from hillan to Femmus 191.dated 1stil 24.19	
from it liam to common Lot dated a will 24.19	
(Ex. 709)	3? X
237 List of exhibits which show there was an agreement among the manufacturers of women's and onildren's underwear	) ji jeo
Children's Sleepers	
339 14777 17265 Frice fixing agreement existed between manufacturers of children's fleece lime sleepers (Ex. 589, 708 and 1238)	
Worsted Mocline Yarn	
341 14777 Price agreement for spinners of worsted much: para (Ex. 573; svin. p. 5175,8079,8000,8828, Also Ex. 1340, No. 176, Ex. 574,, 1237 and 13	#181,
Deminion Woollens and Worsteds Limited refuse to enter into arrangements on yarm prices (En p. 8087)	
ACCOUNT MALE STATE YEARS	
344 14777 Price agreement on hand knitting yern (Ba. 58	37
Towns	
345 14777 Frice agreement on towels (Ex. 789; Ev. 1155 and 10891)	
345 14777 17310 Price agreements on carpet s (Ex. 1192) 17318 to 17322	
S49 14777 Financial record of Harding Careets Ltd. 351	



### Carpets

Financial record of Financial record of Guelph Carpet & Morated gianing -111s -41.  14976  Financial record of Guelph Carpet & Morated gianing -111s -41.  14976  Financial record of Guelph Carpet & Morated gianing -111s -41.  14976  Financial record of Guelph Carpet & Morated gianing -111s -41.  14976  Financial record of Guelph Carpet & Morated gianing -111s -41.  14976  Financial record of Guelph Carpet & Morated gianing -111s -41.  14976  Financial record of Guelph Carpet & Morated gianing -111s -41.  14976  Financial record of Guelph Carpet & Morated gianing -111s -41.  14978  Survey made of broad silk industry with the object of controlling production so as toregulate prices (Fx. p. 8195)  14978  Survey made of broad silk industry with the object of controlling production so as toregulate prices (Fx. p. 8195)  14978  Survey made of broad silk industry with the object of controlling production so as toregulate prices (Fx. p. 8195)  14978  Survey made of broad silk industry with the object of controlling production was arrived, but mills reported their production was arrived to the information and state in the survey in the survey in the object of stabilizing confusion should be recorded to the Guelphas Investigation should be recorded to the Guelphas Investigation of the			
17313  Financial record of Guelph Carpet & Worsted planting 11 to 12.  14778  Frices charged by Tree 2 list industry were less and there is no evidence that they charged suprices that one could say they had taken advantage of the teriff  Sirvey made of broad silk industry with the object of controlling production so as toregulate prices (Ex. p. 8195)  14778  Evidence does not disclose that a definite met of arriving at control of production was arrived, but mills reported their production to Sally to the reporting sills (v. p. 817, 733, 1406)  355  14778  Bellam says the rejustion reports had the effect of preventing ruinous prices (Fv. p. 6225) and sould possibly see the effect of stabilizing ces (Ev. p. 7941)  257  14778  Evidence placed before Commission should be retained to the combines Investigated the comb	349		Financial record of Toronto Carpet Co.
pinning 111s A1.  14778  Fricos charged by "road Sit' insustry were low and there is no evidence that they charged such prices that one could say they had taken advantage of the teriff  353  1478  Survey made of broad ailk industry with the object of controlling production so as toregulate prices (Ex. p. 8195)  353  1478  Evidence does not disclose that a definite mate of arriving at control of production was arrivent, but mills reported their production to Sall mode conciled the information and sent it put if y to the reporting mills (v. p. 817, 7291, 4406)  355  14778  Sallam says the production reports and the error of preventing ruinous prices (Ev. p. 8225) and model models we sibly eve the effect of stabilizing ces (Ev. p. 7941)  357  14778  Evidence placed before Commission should be related to charge of the Combines Investigences in the second commission should be reconstructed.	349		Firmseial record of Filton-Tete. boro 3 root or.
257 14778  Frices charged by Tro d Sir industry were less and there is no evidence that they charged such prices that one could say they had taken advantage of the teriff  Survey made of broad silk industry with the object of controlling production so as toregulate prices (Fr. p. 8195)  Evidence does not disclose that a left ite of arriving at control of production was arrived, but mills reported their production to Hall who consiled the information and seat it and my to the reporting mills (v. p. 21v, 720, 4406)  Sold large says the rejustion reports had the error of preventing ruinous prices (Fv. p. 8225) and would possibly even the effect of stabilizing ces (Fv. p. 7941)  Sold large placed before Commission should be resulted to the combines Investigated to the combines Investigated t	350	17313	Financial record of Guelph Carpet & Worsted
and there is no evidence that they charged such prices that one could say they had taken advantage of the teriff  353 1478 Survey made of broad silk industry with the object of controlling production so as toregulate prices (Fx. p. 8195)  553 14778 Evidence does not disclose that a definite at of arriving at control of production was arrived, but mills reported their production to find the information and seat it out mills to reporting mills (v. p. 817, 7391, 4406)  555 14778 Evidence placed before Commission should be resulted by the Gambines Investing related the			the region larger control region and the property of the control region and
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of arriving at control of production was arrived, but mills reported their production to Hall was consilled the information and seat it but mily to the reporting mills (v. p. 8-17, 7393, 4406)  Signature of preventing ruinous prices (Ev. p. 6225) and would resulting ruinous prices (Ev. p. 6225) and would resulting ruinous prices (Ev. p. 6225) and sould resulting ruinous prices (Ev. p. 6225) and sould resulting ruinous prices (Ev. p. 6225) and ruinous	353	147 8	object of controlling production so as toregu-
of preventing ruinous prices (Ev. p. 6225) and would possibly eve the effect of stabilizing ces (Ev. p. 7941)  357 14778 Evidence placed before Commission should be resulted to the combines favored	863	14778	at, but mills reported their production was arrived at, but mills reported their production to Hallam who compiled the information and seat it out mouthly to the reporting mills (v. p. 8 17, 7891, 400, 4406)
318 14752 ret to those in charge of the Combines Invest	355	14770	lishlam says the projection reports had the effect of preventing reinous prices (Ev. p. 8225) and would resultive the effect of stabilizing prices (Ev. p. 7941)
tion act for such action as they may determine			Evidence placed before Commission should be refer- red to those in charge of the Combines Investiga- tion Act for such action as they may determine



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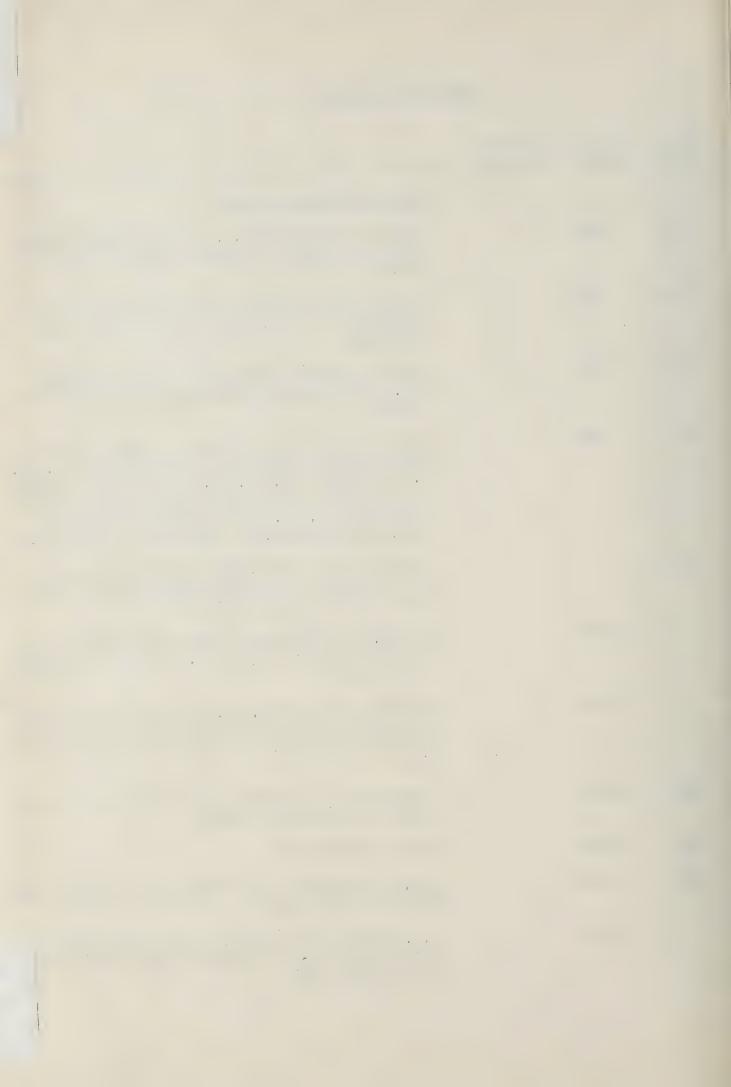
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PAGE IN		EDIOCE'S	annon containe the manager design appropriate the refer section to contain the containing the co
			Tax Concessions
358	14785	17347	concessions of one kind and another
358	14785	105091	Branewa says Campaian Cottons Limited have not had any fixed as wearents at Commali during last ten years

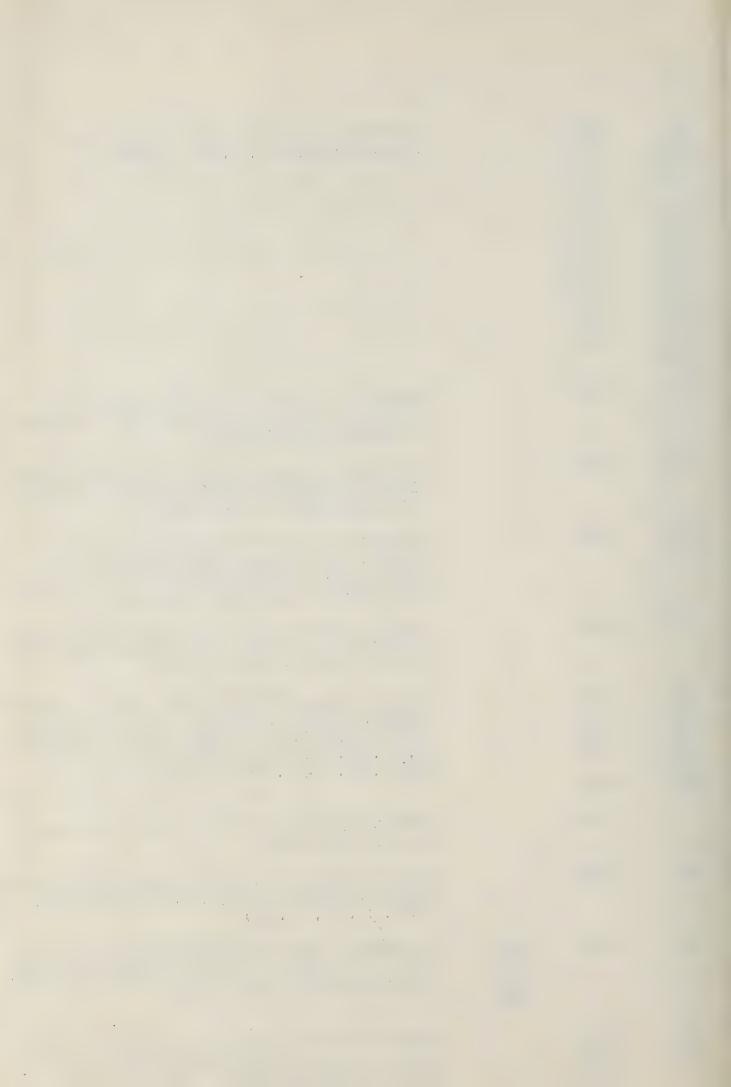


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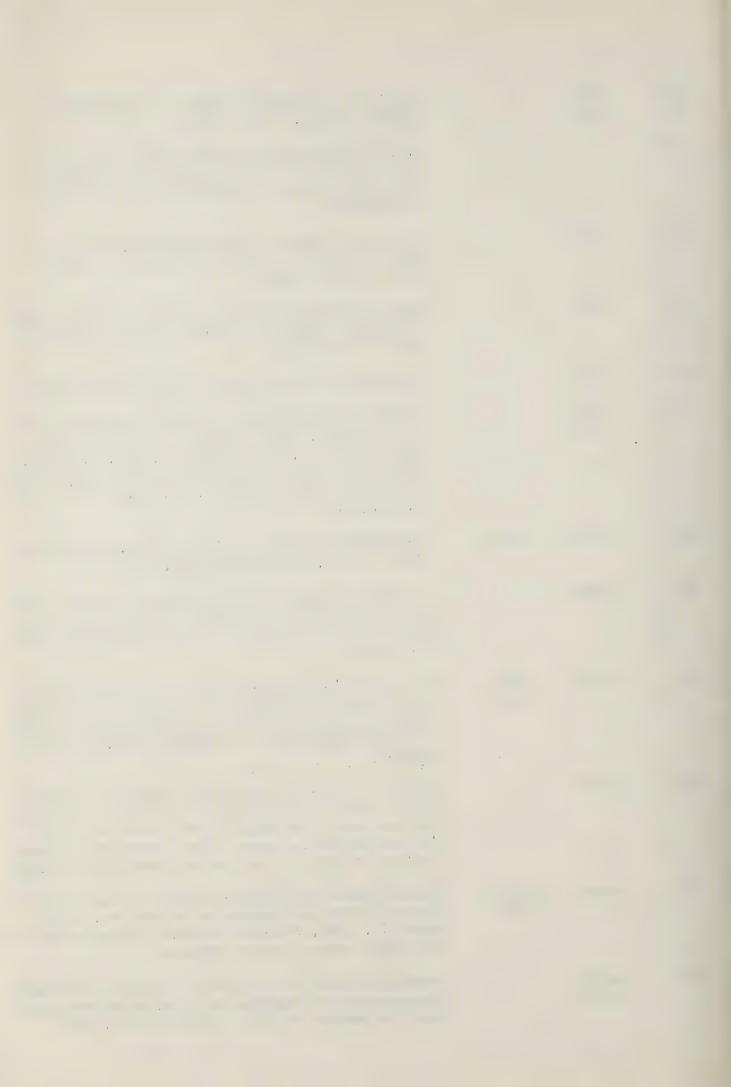
PAGE IN	PAGE IN ARGUENT	
		Canadian Colons Simited
359	14767	Report on which the textile industry requires
360	14789	Annual Report of 1935 complains of bur den of increased taxation and lack of respectate protection
360	14790	List of exhibits which contain complaints by A.O. Dawson about insufficiency of tariff protection
361	14791	Canadian Cottons has an undistributed surplus available for several ders of \$5,761,067 (ar.917, p. 3) of which \$2,277,256.31 is a secret reserve not disclosed even to the shareholders and an additional \$9,000,000 accusuls ted undisclosed surplus represented in fixed assets (ar.917,p.3)
561		Company took a secret and unfair advantage of the Government by consecling its profits and illing to pay the required income tax
	14792	19,000,000 unlisclosed surplus is accounted for by under-valuation of plant. Brancou challances this figure
	14793	Kallock says that \$9,000,000 was on the basis of and insurance apprecisal and that in order to realize that excent the Company would have to have a fire
363	14795	Requirements of Balance Sheet which must be laid before shareholders annually
363	14794	Income War Tax Act
364	14901	Form "J" required to be filed under Section 13 of the Income War TaxAct
	14797	A.D. Dawson stated that if a are chiers knew how well the Company was doing it would cause specula- tion in the stock



570 570	14866 18891		tory of gods in process and finished gods ( x. 1228, Ev.p.12109, 12110)
369	14818	18530 18533 18543 18636	cotton was valued by Caratian Cottons and Chas Brown's valuation 1916 to 1936  Bethod followed by Son may in valuing the inven-
568	14814		Set od of investory valuation followed by Can Alan Cottons from 1912 to 1936 (Ex. p. 11401,14105, 18108, 17,103, 13,212)
	14610		Frances acys Co pany does not about this amount as a secret reserve
588	14004		
380	14882		\$2,277,208.81 (Ex. 796 and 1828)
375	1.4823		\$3,006,133.18 and is admitted to be in 1936,
371	14883		which between 1916 and 1936 reached a miximum of
576	14831		verment in order to concert a secret reserve,
863	14809	,	Canadian Cattons falsified its returns to the Co-
368	14839		Camerian Cottons runged its policy of veluation on inventory from Apple 60% when the Lorens per Tax Act come into effect in 1916
			corporations are under express obligation to make full and complete disclosure of their finan-cial affairs to the proper authorities
567	14807		of wasting assets and bad debts Requirements of Income was Tax act show that
367	14807		Clause 36 of income our lex act remires informa- tion as to reserves other than for depreciation
366	14806		Clause 17 of income on the Set reviews de- tails to be shown of any reserves not disclosed in the Financial Statements
381			
380	14875		
379	14871		
379	14870		
379	14869		
378	14868		
378	14867		
37 <b>7</b> 378	14864 14866		
ro weeks	14837		
374	14826		
372	14824		the state of the s
566	14803		Inches her Tax Act (ax. 995 ent 996)
	Mar Servers		Certificate re nired ander Jona "J" of the



370 370	14819 14845		Amount of Liventory the erve not sisclosed on Balance sheets, 1916 to 1936
370			A.O. Dawson seeks to justify this reserve on the ground that it was necessary to carry a reserve as against fluctuations in the value of inventory
371	14882		laventory Reserve in 1936 was 1500,000 more than the total amount of inventory as shown on the Bulance Sheet
373	14823		Monner in which Canadian Co tons trated t ming authorities durin the time this inventory he-
373	14626		How Canadian Cottons Mert its inventory record
373	14834 14859		In 1919 Cenedian Cottons in its Certificate of Lavestary (Az. 998) claimed a deduction from profits of 1236,000 for reserve. (A. p. 11171, 13173) although during the year it had increased its secret reserve from \$1,301,061.14 to \$1,590,852.16
374	14605	16645	Covernment refused to allow the 1 30,000 reserve
374	14836		In 1920 the Income War Tax Act and Business Pro- fits War Tax Act were both in force and the tax- payer paid under the act which yielded the rea- ter revenue
374	14836	18639 18645	Due to decline in the price of raw cotton from 43% to 16.65%. Canadian Cottons made a claim for exemption from taxation on profits to the extent of 5823,901.20, but were allowed 504,000 (1v.p. 13173)
374	14836		Canadian Cottons claimed that profits were arrived at after taking the inventory lute the ball - ce sheet at [2,340,412.12 (*v. p. 1.712) which was claimed to be based on the market before the decline in price of raw coulon from 437 to 16.00,
375	14838	18648 18654	Letter from the me lax Department of the City of Pontre 1 and Com lesioner of tecome cax, deted March 17, 1922, re undervaluation of res cotton by Canadian Cottons on its inventory
376	14840 14845		Correspondence in 1920 between Canadian Cottons & Commissioner of Taxation re. 188,342.87 over-ayeseat in respect to 1918 assessment ( 595)



376	14846 14857 14859 14860 14864 14877	18549 18686 18643 18646 18649 18650	Letter from Geneals a Cottons to co issister of Taxation, lated recember 17, 1921, re resuction of inventory value of 5,823,000 lbs of ms cotton taken in at 9g and 1,670,464 lbs taken into inventory at 40,14g per round (x. 895)
	18710	18653 18653 18659B	
377	14865		Average cost of raw cotton in 1921 was 13¢ but was taken into inventory by Camadian Cottons at 6¢ per pound (Lx. 1228) but income tax return did not say so
	14858	Plane 12	Drumeau says he does not know in what way Camb- dian Cottons failed to make complete disclosure to the Government
	14860		In 1921, canadian Cottons lost \$1,600,000 on raw cotton, but this loss was not revealed to shareholders
376	14867		Certificate showing basis on which inventory was taken as left thank in the 1926 in me take return (Bv. p. 15612)
379	14969		Certificate for 1927 states inventory is taken at "cost" and after the words "do not contain any allowance for decline in value other than as follows" the word "usual" is written in. 1928 Certificate was filled out in the same an one (Ev. p. 13183)
281	14876		Amount of claim for Income Tex Department for texes due by Canadian Cottons Limited is \$440,000 including interest made up of \$177,000 under Business Profits War Taxact, \$195,000 under hoome Tax and \$67,000 interest (Ev. p. 15195)
392	14877		a.U. Passon says statements made on certificates were quite clear and that the same process had been continued for 20 years and that the usual discounts were sown from year to year and were exposed to the Covernment every time (.v. p. 1206 and 1207)
268	14877 14882		Statement that usual discounts were soon to the Government every time has not been supported and is contradicted by C.F. Elliott



Sections 413 and 444 of the Criminal Code

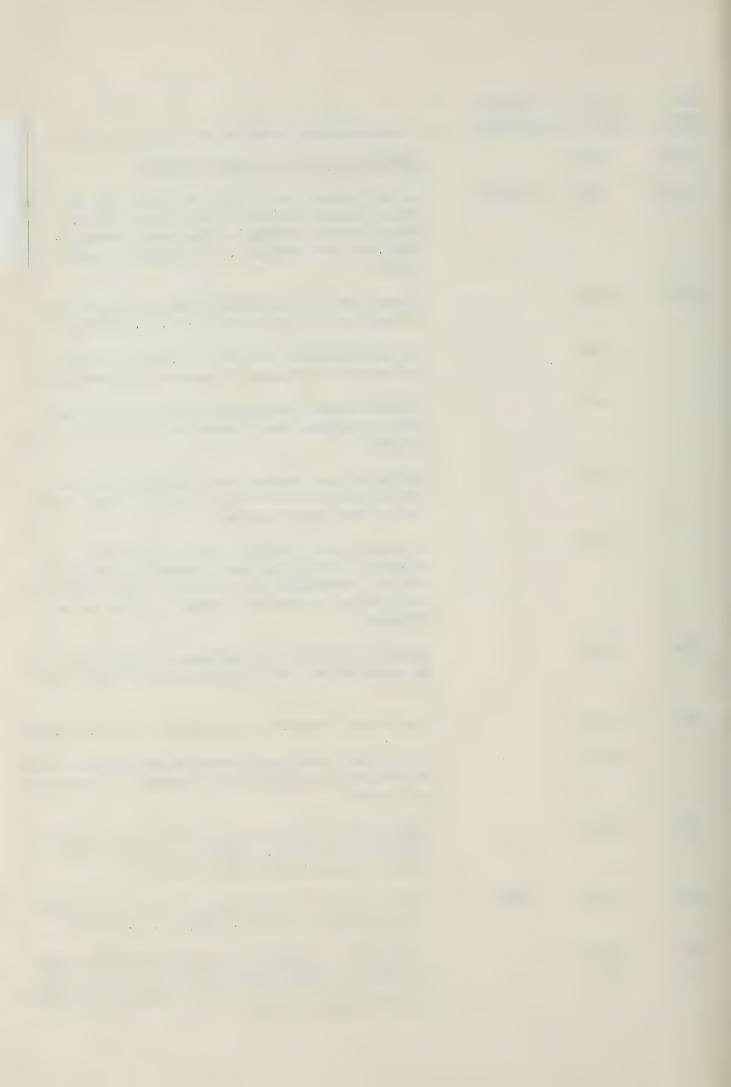
383 14983 Commant of Nr. Ju tice Avery in Rex vs Kylsont,
146 L.T.W., p. 22, with Assect to the response.

146 L.F.S., p. 23, with respect to the responsibility for the publication of a decreat which is false in the sense of what it does not disclose

Judgment of Lord Halsbury in the case of a company which had obtained money on the strength of a prospecture that did not disclose that dividends had been raid from reserves in years of losses instead of from current earnings



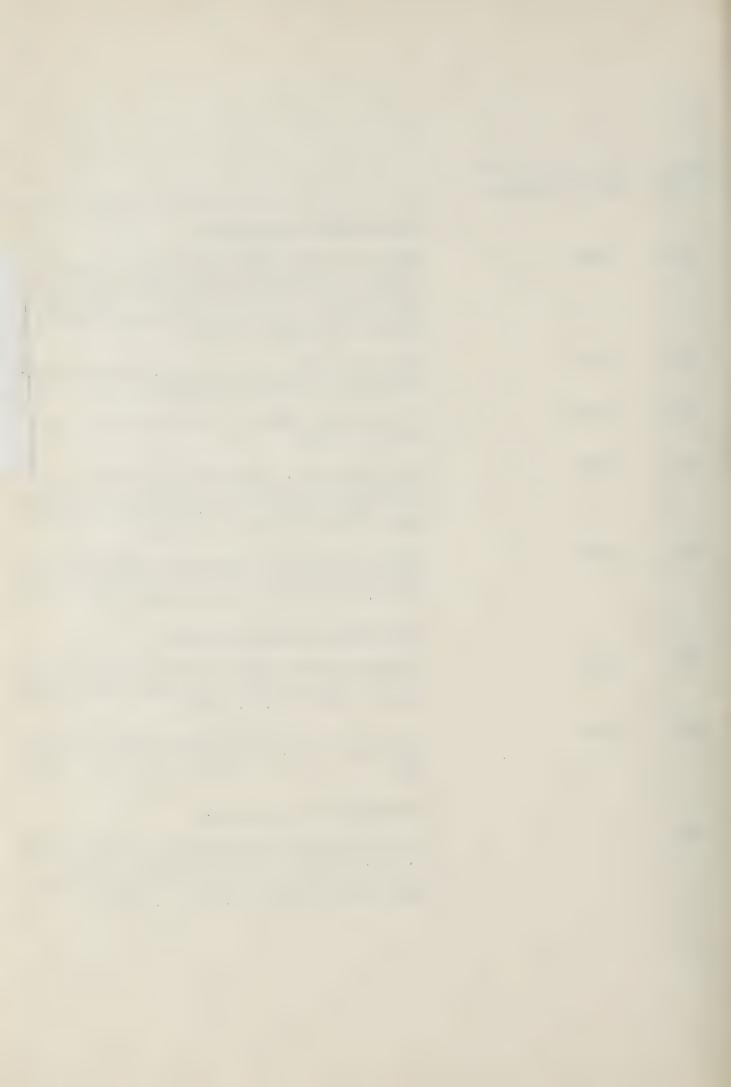
PAGE IN		HEVARD'S RIBTTAL	
396	14684		Dominion Textile Company Limited
396	14886	17876	Annual Report for 1936 shows that the Company raid taxes calunting to earnings of 42.00 per shere on the Company's preferred issued - \$619,541 for Pomisio, reviscial a quaisipal taxes
386	14895		Income Tex is included in selling price and passed on to the consum r (Ev. p. 18757)
	14885		As the consumer pays the tax, there should be no secrety in regard to income tax returns
	14887		Kellock says that since 1934 the Companies Act recognizes that income tax is paid out of profits
	14689		Companies Act states that there is not not profit so far as a company is concerned until the income tax comes out
	14891		A commany that enjoys tariff protection and makes a profit from such protection owes it to the Government to pay out of those profits its income tax without passing it on the consumer
589	14893		Inventory Reserve of Dominion Textile Co. Ltd. is taxable but the Company has not paid taxes on it
360	14896		Rew Cotton Reserve is maintained at \$1,000,000
	14897		Heward says that full disclosure has been made to Income Tax Department in regard to inventory valuations
348	14898		Until 1953 no mention was made of any reserve against raw cotton, although prior to 1953 there apparently was such a reserve
389	14699	17814	Method of taking inventory of goods in process and finished goods (Ex. 945; Ev. p. 13699)
391	14900 17814		Inventories of merchandise and supplies shown on 1936 and 1936 Balance Shoets were taken on the basis of cost or market whichever was lower (Ex. 938, Ev. p. 13772)



393		18509	Although Classoo was employed as Accountant by Price Spreads Commission, no disclosure was sade of the existence of the inventory reserves of Canadian Costons and Dominion Textile Company (Ev. p. 15771)
392	14902		The effect of the greation and maintenance of inventory reserve was not only to common! assets of the Company but the result was to conceal the true profits of the Company
393	14903		Evidence of C.F. Elliott, Commissioner of In- commiss, as he what is required in the nature of disclosure (Ev. p. 1830)
<b>304</b>			Existence of reserves materially affects the taxes the Commany ought to pay



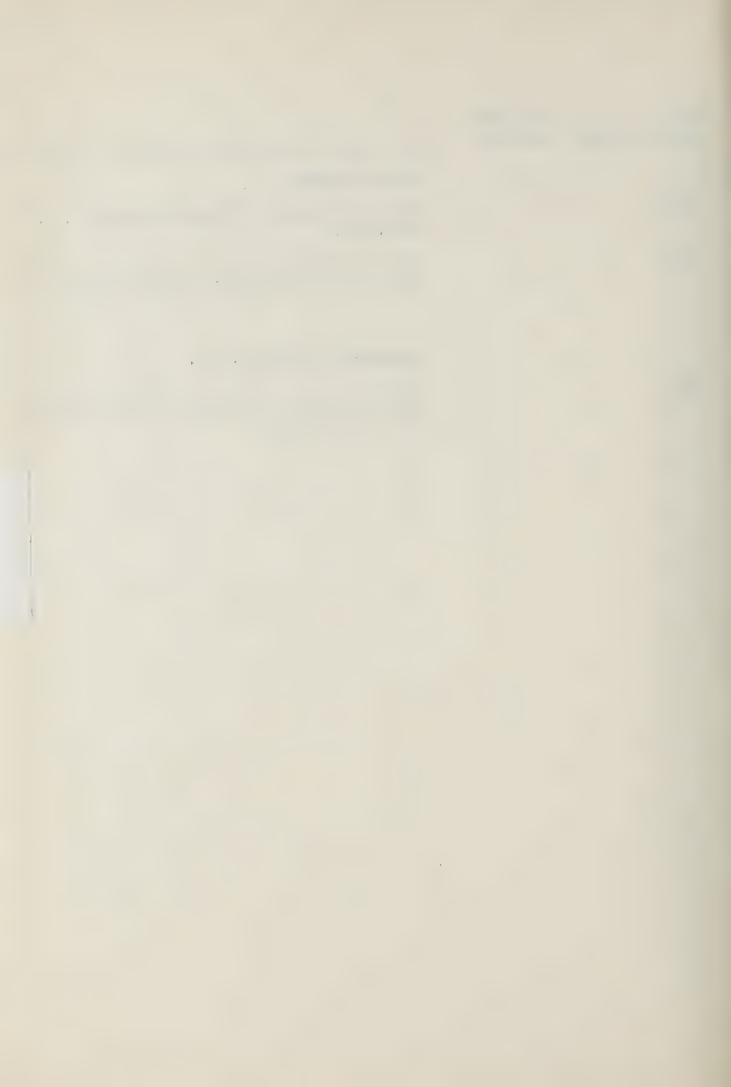
PAGS IN	P OF IN HECARD'S	many the property of the prope
		Montreal Cottons, Limited
394	14904	Met od of teking inventory used by Controll Cottons is the same as that used by Dominion Textile (Ev. p. 13701 and 13702). This system has prevailed since D minion Textile assumed control of Montreal Cottons
393	14904	1935 inventaries of res cott m, stock menufac- tured and in process and supplies
396	14905	Supplies were subject to discounts that ranged es high as 75%
396	14907	1935 Inventures. Statement of A siture as to merchandise and supplies is worded the same as the wording used in the 1935 Balance Sheet of Bominion Textile Company Limited
397	14907	State out signed by Auditors in 1935 store New Cotton investory "at less than provailing market price", but does not say how such less
		Drumondville Cotton Co. Ltd.
398	149 06	Inventories were taken on same basis as Domini a Textile Company since it took over Drummondville Cotton in 1929 ( v. p. 13703)
308	1.4909	The woole of any profits appropriated to I wen- tory Reserve ould be subject to income tax since 1929
		Sample on the Cotton Co. 150.
398		This Co pany was taken over by comision Turtile Co. Ltd. in 1928 and its inventory reserves should be treated in the mass way as those of Drumwendville Cotton Co. (Ev. p. 13704)



POR IN POR IN MELLOCK'S	The state of the contract of t
	PORIGINA STAIN & CO.
208	Inventory Reserve of Fennanc Limited (17. p. 9748,9750)
398	Frior to 1933 no mention was made of investory reserves in the Company's Balance Sheets
	In Idling Cortianill Go. Ltd.
399	Invest my Reserve set u in 1916 and Palance

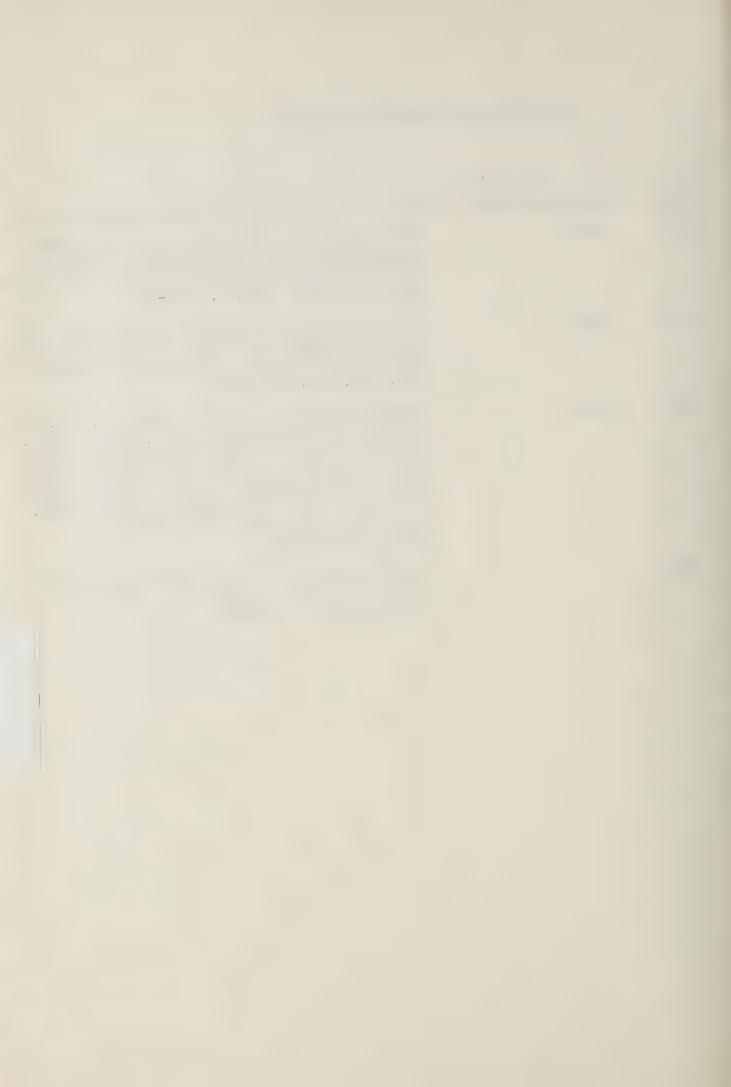
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Sheets have al sys indicated the existence of an auventory Reserve



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		Billian Contraction	The filter of the special part of the contract
399	14909		Silk Association of Gamma made strong re re- sentations to the Government after turiff in- on suces in 1930 and received furt or turiff pro- tection in 1931 (Ev. p. 853468355)
400	149 09		Correspondence se smole of binuital bill pro- duced by Crouts Limited for the purpose of som- ing it was of a class or kind made in Canada (Ex. 793, 862, 703, 798)
404	14909		Correspondence re claim of Gault Bros. Ltd. for refund of duty on importation of Cotton Crepe. Montreal Cottons stated to Government that it produced a similar Cotton Grepe but this was found to be incorrect and the Department ruled that the Cotton Crepe imported by Gault Bros. Was of a class or kind not made in Canada (Ex. 800 and 1227)
41.0			Correspondence re Cotton Lambskin and whether it was of a class or kind made in Canada (Ex. 801, Ev. p. 11,679)



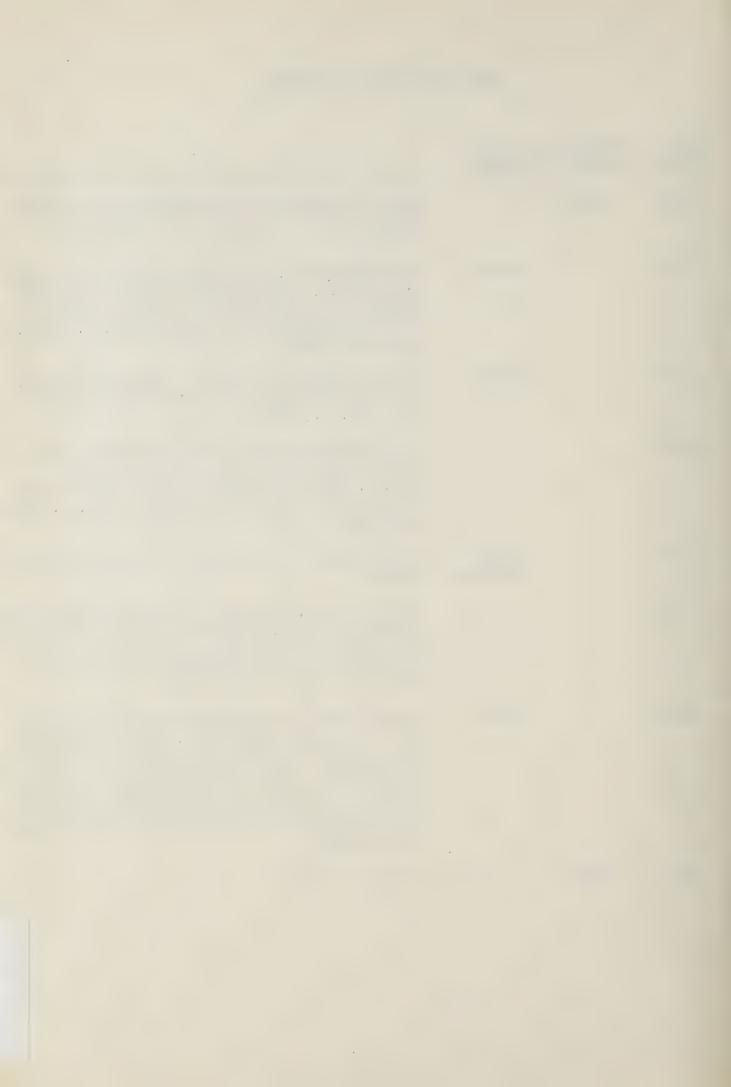
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Carlos III	Con	A Control of the Cont	A the second appears of the second control o
415	14910		Request of cotton manufacturers in 1980 for increased tariff protection (Ex. 495)
414			Adventage was taken of the increased tariff protection to increase the mill spread to the mills but this was not passed on to the springer
415		10611	Employers assert the right to organize but deny their employees the right to organize in their own interests



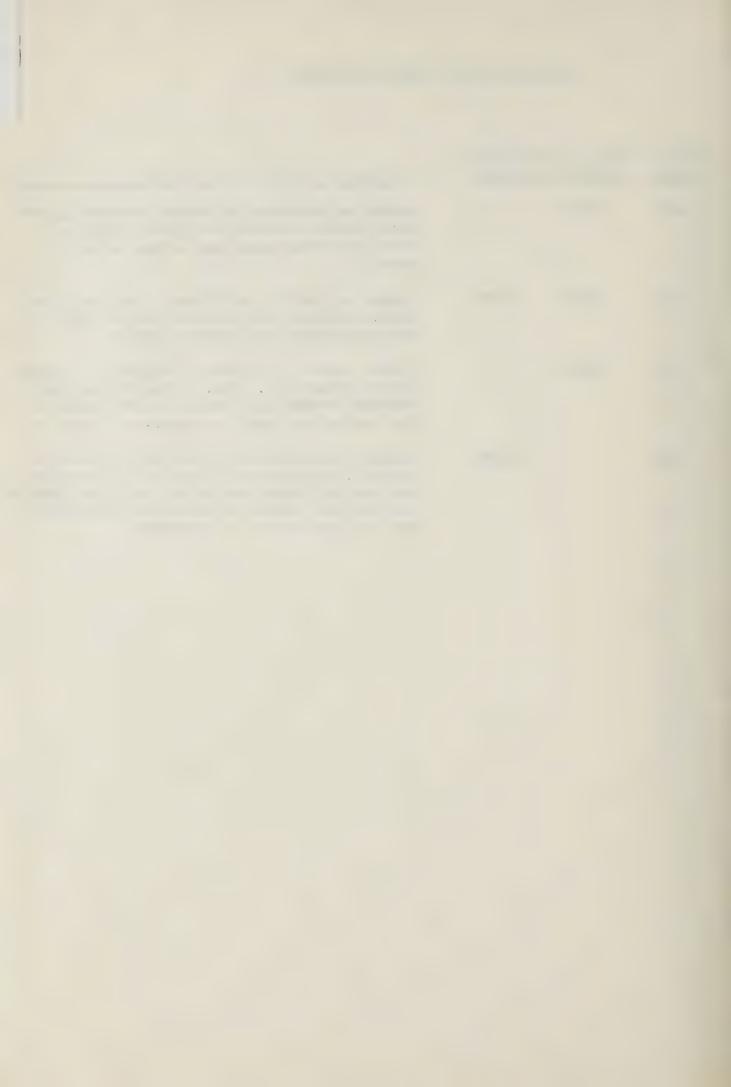
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PAGE IN	PAGE IN	state describes when the content of the same abounds.	S U B J B C T
416	14910		One of the duties of the Tariff Board is to de- termine the east of efficient production in Canada
416		17347	In Reference 83, the Frinary Toxilles institute engaged R.B. Loper for the purpose of putting before the Tariff Board the cost of production of different fabrics in Canada (2v. p. 12912, 12913 and 12236)
417		17550	Costs prepared by Loper were not unifor costs, but a uniform method was used in developing them (Ev. p. 1805)
427			Loper stated that the costs submitted to the Tariff Board were based upon actual costs (Sv. p. 1816) but could give no information as to how these costs were arrived at (Ev. p. 1818, and 1819)
417		18500B 18503-58	Hooper unable to find any cost system at Canadian Cottons
419			Letter from P. R. Watson to Douglas Hallem dated October 17, 1935, suggesting that a pending hear- ing before the Taiff Board be made or less of a shadow in case Judge Sedgewick and the Board should be dismissed (Ex. 633)
4:10		17857	Letter from W.J. Whitehead to Cott a Institute of Canada, dated November 4, 1935, suggesting that it would be disclosing something to the disadventage of the Canadian mills if they informed the Pariff Board that they use ring spun yours at lower cost for the same purpose as the Malishan sells mule a un yarm at higher cost (Sx. 623)
421	14915		Burden on consum



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PAGE IN	PAGE IN	KSTLOCK'S REBUTTAL	S V B J Z C P
403	14915		Furden on consumers of Ganala has been ag re- vated by the process of capital inflation that has taken place over a long period of years
4:1	14915	16703	Record of Popital inflation by omition Tex- tile, Camaian Cottons, Montreal Cottons, Wabasso Company and Penmana Limited
423	14915		Letter from A.T. We son to winister of Finance, dated November 29, 1935, protesting against Japanese competition because a great many of the sheres are comed by widows and orphans :-
423		16070	Unless some measure of investment control is adopted, promoters will soon be amalgumeting a and merging other textile commanies and further applications will be made to the Government for the maintenance of protection



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PAGE THE BACK IN MILLOCK'S DELT ANGENER LEGISTRA	can the high high properties and continued a
424	Action of Demision Textile Company in closing Sherbrooke mill indicates that influential members of the industry consider they have no responsibility to the Government to their work- ers or the public
424	Telegrem from G.B. Ga don to Lac ance on August 27, 1 36, refusing to open associations leading to higher wages for the employees at ontworency
426	Evidence shows that in its relations with the public and its employees the leaders of the textile industry have maintained little regard

for human rolations



#### SWGST D. COLORS

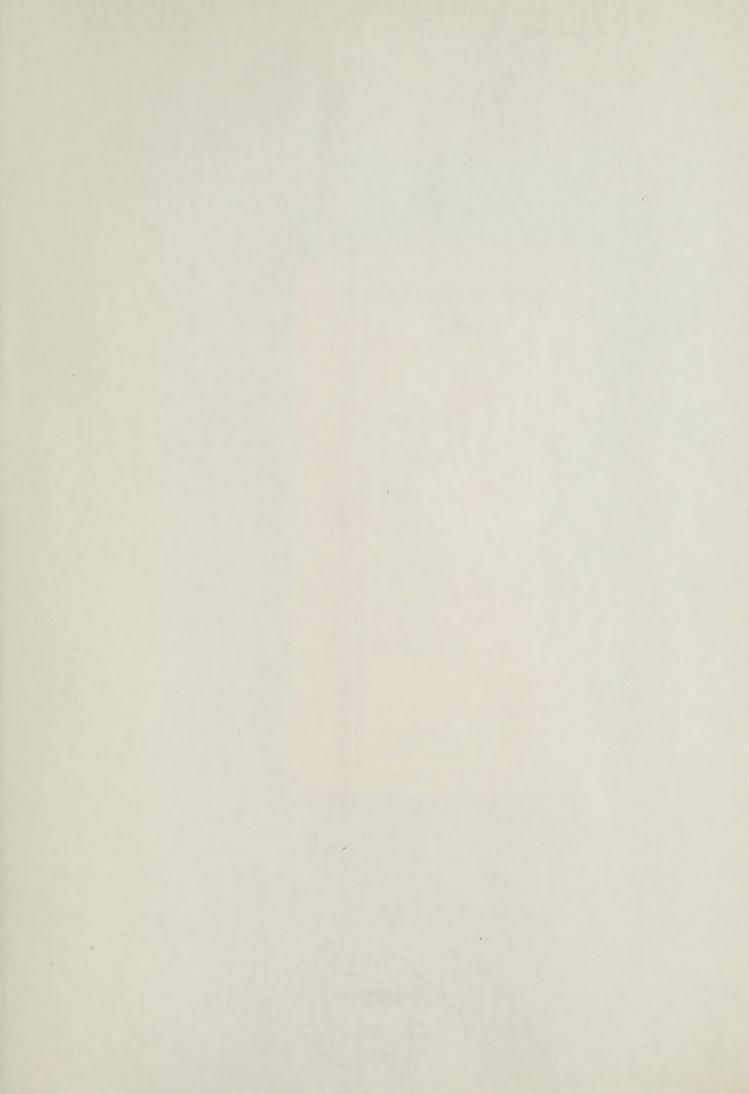
POS IN NO. 13 KILLDOK O	A CANADA AND A CAN
14918	To prevent excessive profits being made, there should be a reduction in tariffs so that competition will take care of price levels Competition will take care of excessive pro- fits and price-fixing agreements
14919	Tariffs in future should be based on the principle of reasonable competition and this should apply to all tariffs :- British Preferential, Intermediate and General
14920	Then free right of purchase is taken from the consumer, the limit of taxing power given to private industry should be considered and that limit should be the very minimum



#### MICHIGAN

POL IV		NAME OF THE PROPERTY OF THE PR	
	13863		Letter from Canadian Association of Garmont Manufacturers asking that wages paid in the primary textile industry be not accepted as indicative of wages paid in the garmont industry
	16802	17152	Letter from Canadian Importers & Traders Association, dated Feb. 17, 1937, stating they had been refused Dominion Incorporation (Ex. 1341)







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